

APPENDIX I

ACCOUNTANTS’ REPORT

ACCOUNTANTS’ REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF RUNHUA INTELLIGENCE HEALTH SERVICE CO., LTD. AND ZHONGTAI INTERNATIONAL CAPITAL LIMITED

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Introduction

We report on the historical financial information of Runhua Intelligence Health Service Co., Ltd. (formerly known as Runhua Property Technology Development Inc) (the “Company”) and its subsidiaries (together, the “Group”) set out on pages I-3 to I-101, which comprises the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group for each of the years ended 31 December 2019, 2020 and 2021, and the six months ended 30 June 2022 (the “Relevant Periods”), and the consolidated statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the statements of financial position of the Company as at 31 December 2020 and 2021 and 30 June 2022 and a summary of significant accounting policies and other explanatory information (together, the “Historical Financial Information”). The Historical Financial Information set out on pages I-3 to I-101 forms an integral part of this report, which has been prepared for inclusion in the document of the Company dated 10 August 2022 (the “Document”) in connection with the initial [REDACTED] of the shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

Directors’ responsibility for the Historical Financial Information

The directors of the Company are responsible for the preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively, and for such internal control as the directors determine is necessary to enable the preparation of the Historical Financial Information that is free from material misstatement, whether due to fraud or error.

Reporting accountants’ responsibility

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200 *Accountants’ Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountants’ judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountants consider internal control relevant to the entity’s preparation of the Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial

APPENDIX I

ACCOUNTANTS’ REPORT

Information, respectively, in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

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

Opinion

In our opinion, the Historical Financial Information gives, for the purposes of the accountants’ report, a true and fair view of the financial position of the Group as at 31 December 2019, 2020 and 2021, and 30 June 2022 and the financial position of the Company as at 31 December 2020 and 2021, and 30 June 2022 and of the financial performance and cash flows of the Group for each of the Relevant Periods in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Review of interim comparative financial information

We have reviewed the interim comparative financial information of the Group which comprises the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months ended 30 June 2021 and other explanatory information (the “Interim Comparative Financial Information”). The directors of the Company are responsible for the preparation and presentation of the Interim Comparative Financial Information in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively. Our responsibility is to express a conclusion on the Interim Comparative Financial Information based on our review. We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the HKICPA. A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Interim Comparative Financial Information, for the purposes of the accountants’ report, is not prepared, in all material respects, in accordance with the basis of presentation and the basis of preparation set out in notes 2.1 and 2.2 to the Historical Financial Information, respectively.

Report on matters under The Rules Governing the Listing of Securities on the Stock Exchange and the Companies (Winding Up and Miscellaneous Provisions) Ordinance

Adjustments

In preparing the Historical Financial Information, no adjustments to the Underlying Financial Statements as defined on page I-3 have been made.

APPENDIX I

ACCOUNTANTS’ REPORT

Dividends

We refer to note 12 to the Historical Financial Information which states that no dividends have been paid by the Company in respect of the Relevant Periods.

No historical financial statements for the Company

As at the date of this report, no statutory financial statements have been prepared for the Company since its date of incorporation.

Certified Public Accountants

Hong Kong

10 August 2022

APPENDIX I

ACCOUNTANTS’ REPORT

I. HISTORICAL FINANCIAL INFORMATION

Preparation of Historical Financial Information

Set out below is the Historical Financial Information which forms an integral part of this accountants’ report.

The financial statements of the Group for the Relevant Periods, on which the Historical Financial Information is based, were audited by Ernst & Young in accordance with Hong Kong Standards on Auditing issued by the HKICPA (the “Underlying Financial Statements”).

The Historical Financial Information is presented in Renminbi (“RMB”) and all values are rounded to the nearest thousand (RMB’000) except when otherwise indicated.

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

| | Notes | Year ended 31 December | | | For the six months ended 30 June | |
|---|-------|------------------------|------------------|------------------|----------------------------------|------------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | (Unaudited) | | | | |
| REVENUE | 5 | 397,096 | 486,095 | 601,298 | 261,620 | 321,391 |
| Cost of services | | <u>(330,249)</u> | <u>(383,241)</u> | <u>(487,156)</u> | <u>(211,952)</u> | <u>(254,399)</u> |
| Gross profit | | 66,847 | 102,854 | 114,142 | 49,668 | 66,992 |
| Other income and gains and expenses, net | 5 | 4,531 | 7,810 | 7,292 | 3,817 | 2,778 |
| Selling and distribution expenses | | <u>(1,395)</u> | <u>(2,468)</u> | <u>(4,703)</u> | <u>(1,287)</u> | <u>(4,032)</u> |
| Administrative expenses | | <u>(29,584)</u> | <u>(45,044)</u> | <u>(54,528)</u> | <u>(29,343)</u> | <u>(37,859)</u> |
| Finance costs | 7 | <u>(3,807)</u> | <u>(10,666)</u> | <u>(11,299)</u> | <u>(6,931)</u> | <u>(4,077)</u> |
| Share of profits and losses of associates | | <u>210</u> | <u>9,370</u> | <u>5,540</u> | <u>2,108</u> | <u>3,832</u> |
| PROFIT BEFORE TAX | 6 | 36,802 | 61,856 | 56,444 | 18,032 | 27,634 |
| Income tax expense | 10 | <u>(9,694)</u> | <u>(13,164)</u> | <u>(11,993)</u> | <u>(5,500)</u> | <u>(7,454)</u> |
| PROFIT FOR THE YEAR/PERIOD | | <u>27,108</u> | <u>48,692</u> | <u>44,451</u> | <u>12,532</u> | <u>20,180</u> |
| Attributable to: | | | | | | |
| Owners of the parent | | 27,108 | 48,674 | 44,300 | 12,342 | 20,164 |
| Non-controlling interests | | <u>—</u> | <u>18</u> | <u>151</u> | <u>190</u> | <u>16</u> |
| | | <u>27,108</u> | <u>48,692</u> | <u>44,451</u> | <u>12,532</u> | <u>20,180</u> |
| EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT | | | | | | |
| Basic and diluted | 11 | <u>RMB0.34</u> | <u>RMB0.27</u> | <u>RMB0.22</u> | <u>RMB0.06</u> | <u>RMB0.10</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

| Notes | Year ended 31 December | | | For the six months ended 30 June | |
|--|------------------------|----------------------|----------------------|----------------------------------|----------------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | (Unaudited) | |
| PROFIT FOR THE YEAR/PERIOD | <u>27,108</u> | <u>48,692</u> | <u>44,451</u> | <u>12,532</u> | <u>20,180</u> |
| OTHER COMPREHENSIVE INCOME | | | | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | | | | |
| Equity investments designated at fair value through other comprehensive income: | | | | | |
| Changes in fair value | <u>155</u> | <u>19</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR/PERIOD | <u>27,263</u> | <u>48,711</u> | <u>44,451</u> | <u>12,532</u> | <u>20,180</u> |
| Attributable to: | | | | | |
| Owners of the parent | <u>27,263</u> | <u>48,693</u> | <u>44,300</u> | <u>12,342</u> | <u>20,164</u> |
| Non-controlling interests | <u>—</u> | <u>18</u> | <u>151</u> | <u>190</u> | <u>16</u> |
| | <u>27,263</u> | <u>48,711</u> | <u>44,451</u> | <u>12,532</u> | <u>20,180</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

| | Notes | As at 31 December | | | As at 30 June |
|--|-------|-------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| NON-CURRENT ASSETS | | | | | |
| Property and equipment | 13 | 14,345 | 15,570 | 18,464 | 29,229 |
| Investment properties | 14 | 34,038 | 45,848 | 63,904 | 99,069 |
| Right-of-use assets | 15 | — | — | 1,285 | 332 |
| Other intangible assets | 16 | 1,313 | 3,322 | 2,995 | 2,798 |
| Investments in associates | 17 | 125,219 | 131,509 | 127,674 | 131,507 |
| Deferred tax assets | 18 | 4,520 | 3,869 | 3,260 | 5,708 |
| Equity investments designated at fair value through other comprehensive income | 19 | 4,981 | — | — | — |
| Prepayments, other receivables and other assets | 20 | 792 | — | — | — |
| Total non-current assets | | <u>185,208</u> | <u>200,118</u> | <u>217,582</u> | <u>268,643</u> |
| CURRENT ASSETS | | | | | |
| Biological assets | 21 | 3,820 | — | — | — |
| Inventories | 22 | 2,480 | 210 | 123 | 149 |
| Trade receivables | 23 | 52,783 | 73,254 | 85,028 | 140,720 |
| Contract assets | 24 | 3,971 | — | 8,729 | 8,035 |
| Prepayments, other receivables and other assets | 20 | 46,572 | 137,779 | 21,344 | 23,981 |
| Financial assets at fair value through profit or loss | 19 | — | — | — | 12,014 |
| Financial assets at amortised cost | 19 | — | — | 9,900 | — |
| Restricted deposits | 25 | — | 1,582 | 11,894 | 5,245 |
| Cash and cash equivalents | 25 | 34,775 | 119,323 | 112,080 | 48,523 |
| Total current assets | | <u>144,401</u> | <u>332,148</u> | <u>249,098</u> | <u>238,667</u> |
| CURRENT LIABILITIES | | | | | |
| Trade payables | 26 | 9,127 | 42,465 | 42,696 | 30,840 |
| Other payables and accruals | 27 | 147,560 | 131,217 | 106,897 | 105,980 |
| Interest-bearing bank and other borrowings | 28 | 50,000 | 142,050 | 41,140 | 21,140 |
| Lease liabilities | 15 | 2,184 | 3,085 | 6,718 | 10,916 |
| Tax payable | | 7,043 | 8,263 | 7,592 | 9,290 |
| Total current liabilities | | <u>215,914</u> | <u>327,080</u> | <u>205,043</u> | <u>178,166</u> |
| NET CURRENT (LIABILITIES)/ASSETS | | <u>(71,513)</u> | <u>5,068</u> | <u>44,055</u> | <u>60,501</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>113,695</u> | <u>205,186</u> | <u>261,637</u> | <u>329,144</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (continued)

| | Notes | As at 31 December | | | As at 30 June |
|--|-------|-------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| NON-CURRENT LIABILITIES | | | | | |
| Interest-bearing bank and other borrowings | 28 | — | 66,860 | 55,680 | 64,580 |
| Lease liabilities | 15 | 18,641 | 28,268 | 47,638 | 84,754 |
| Deferred tax liabilities | 18 | 69 | 129 | 40 | 60 |
| Total non-current liabilities | | <u>18,710</u> | <u>95,257</u> | <u>103,358</u> | <u>149,394</u> |
| Net assets | | <u>94,985</u> | <u>109,929</u> | <u>158,279</u> | <u>179,750</u> |
| EQUITY | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Paid-in capital | 29 | — | — | 1 | 1 |
| Reserves | 31 | 94,985 | 109,911 | 158,115 | 179,570 |
| | | <u>94,985</u> | <u>109,911</u> | <u>158,116</u> | <u>179,571</u> |
| Non-controlling interests | | <u>—</u> | <u>18</u> | <u>163</u> | <u>179</u> |
| Total equity | | <u>94,985</u> | <u>109,929</u> | <u>158,279</u> | <u>179,750</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

| | Attributable to owners of the parent | | | | | Total |
|--|--------------------------------------|--|-----------------------------------|--------------------------------------|--|---------|
| | Paid-in capital (note 29) RMB’000 | Share-based payment reserve* (note 30) RMB’000 | Merger reserve* (note 31) RMB’000 | Statutory reserve* (note 31) RMB’000 | Fair value reserve of financial assets at fair value through other comprehensive income* RMB’000 | |
| At 1 January 2019 | — | 2,048 | 55,163 | 1,645 | (174) | 66,932 |
| Profit for the year | — | — | — | — | — | 27,108 |
| Other comprehensive income for the year: | | | | | | |
| Changes in fair value of equity investments at fair value through other comprehensive income, net of tax | — | — | — | — | 155 | 155 |
| Total comprehensive income for the year | — | — | — | — | 155 | 27,263 |
| Equity-settled share-based compensation | — | 790 | — | — | — | 790 |
| Transfer from retained profits | — | — | — | 2,691 | — | (2,691) |
| At 31 December 2019 | — | 2,838 | 55,163 | 4,336 | (19) | 94,985 |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Year ended 31 December 2020

| | Attributable to owners of the parent | | | | | | | | | |
|--|--------------------------------------|--|-----------------------------------|--------------------------------------|--|---------------------------|---|---------------|-----------------------------------|----------------------|
| | Paid-in capital (note 29) RMB'000 | Share-based payment reserve* (note 30) RMB'000 | Merger reserve* (note 31) RMB'000 | Statutory reserve* (note 31) RMB'000 | Fair value reserve of financial assets at fair value through other comprehensive income* RMB'000 | Retained profits* RMB'000 | Treasury shares repurchased for share incentive scheme* (note 31) RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2020 | — | 2,838 | 55,163 | 4,336 | (19) | 32,667 | — | 94,985 | — | 94,985 |
| Profit for the year | — | — | — | — | — | 48,674 | — | 48,674 | 18 | 48,692 |
| Other comprehensive income for the year: | | | | | | | | | | |
| Changes in fair value of equity investments at fair value through other comprehensive income, net of tax | — | — | — | — | 19 | — | — | 19 | — | 19 |
| Total comprehensive income for the year | — | — | — | — | 19 | 48,674 | — | 48,693 | 18 | 48,711 |
| Capital contribution by the then equity holder of a subsidiary | — | — | 1,100 | — | — | — | — | 1,100 | — | 1,100 |
| Acquisition of interest from the then shareholders | — | — | (25,049) | — | — | — | — | (25,049) | — | (25,049) |
| Equity-settled share-based compensation | — | 1,382 | — | — | — | — | — | 1,382 | — | 1,382 |
| Dividends paid to the then equity holders of subsidiaries | — | — | — | — | — | (10,000) | — | (10,000) | — | (10,000) |
| Transfer from retained profits | — | — | — | 4,673 | — | (4,673) | — | — | — | — |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

| | | Attributable to owners of the parent | | | | | | |
|----------------------------|------------------------------|--|--------------------|-----------------------|-------------------|---|---------------------------|--------------|
| | | Fair value reserve of financial assets at fair value through other comprehensive income* | | | Retained profits* | Treasury shares repurchased for share incentive scheme* | Total | |
| Paid-in capital | Share-based payment reserve* | Merger reserve* | Statutory reserve* | comprehensive income* | profits* | for share incentive scheme* | Non-controlling interests | Total equity |
| (note 29) | (note 30) | (note 31) | (note 31) | | | (note 31) | | |
| RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| — | — | — | — | — | — | (1,200) | — | (1,200) |
| — | 4,220 | 31,214 | 9,009 | — | 66,668 | (1,200) | 18 | 109,929 |
| At 31 December 2020 | | | | | | | | |

Treasury shares repurchased for share incentive scheme

Year ended 31 December 2021

| | | Attributable to owners of the parent | | | | | | | |
|----------------------------|------------------------|--------------------------------------|-----------------|-----------|--------------------|-----------------------------|---|--------------|--|
| | | Share-based payment reserve* | | | Statutory reserve* | Retained profits* | Treasury shares repurchased for share incentive scheme* | Total | |
| Paid-in capital | Share premium reserve* | Share-based payment reserve* | Merger reserve* | reserve* | profits* | for share incentive scheme* | Non-controlling interests | Total equity | |
| (note 29) | (note 31) | (note 30) | (note 31) | (note 31) | | (note 31) | | | |
| RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | |
| — | — | 4,220 | 31,214 | 9,009 | 66,668 | (1,200) | 18 | 109,929 | |
| — | — | — | — | — | 44,300 | — | 151 | 44,451 | |
| At 1 January 2021 | | | | | | | | | |
| Profit for the year | | | | | | | | | |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

| | Attributable to owners of the parent | | | | | | | | | |
|---|--------------------------------------|------------------------|------------------------------|-----------------|--------------------|-------------------|---|----------------|---------------------------|----------------|
| | Paid-in capital | Share premium reserve* | Share-based payment reserve* | Merger reserve* | Statutory reserve* | Retained profits* | Treasury shares repurchased for share incentive scheme* | Total | Non-controlling interests | Total equity |
| | (note 29) | (note 31) | (note 30) | (note 31) | (note 31) | (note 31) | (note 31) | | | |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Total comprehensive income for the year | — | — | — | — | — | 44,300 | — | 44,300 | 151 | 44,451 |
| Capital contribution from a shareholder | 1 | 2,027 | — | — | — | — | — | 2,028 | — | 2,028 |
| Equity-settled share-based compensation | — | — | 1,877 | — | — | — | — | 1,877 | — | 1,877 |
| Dividends paid to a non-controlling shareholder | — | — | — | — | — | — | — | — | (6) | (6) |
| Transfer from retained profits | — | — | — | — | 4,718 | (4,718) | — | — | — | — |
| At 31 December 2021 | 1 | 2,027 | 6,097 | 31,214 | 13,727 | 106,250 | (1,200) | 158,116 | 163 | 158,279 |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Six months ended 30 June 2022

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|------------------------|------------------------------|-----------------|------------------------------|----------------|-------------------|----------------|---------------------------|--------------|----------------|
| | Treasury shares repurchased for share incentive scheme* | Share premium reserve* | Share-based payment reserve* | Merger reserve* | Statutory reserve* (note 31) | Other reserve* | Retained profits* | Total | Non-controlling interests | Total equity | |
| Paid-in capital (note 29) | (note 31) | (note 31) | (note 30) | (note 31) | (note 31) | (note 31) | (note 31) | (note 31) | (note 31) | (note 31) | |
| RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | |
| At 1 January 2022 | 1 | (1,200) | 2,027 | 6,097 | 31,214 | 13,727 | — | 106,250 | 158,116 | 163 | 158,279 |
| Profit for the period | — | — | — | — | — | — | — | 20,164 | 20,164 | 16 | 20,180 |
| Total comprehensive income for the period | — | — | — | — | — | — | — | 20,164 | 20,164 | 16 | 20,180 |
| Equity-settled share-based compensation | — | — | — | 872 | — | — | — | — | 872 | — | 872 |
| COVID-19 rental concession from a related party (note 15) | — | — | — | — | — | — | 419 | — | 419 | — | 419 |
| At 30 June 2022 | 1 | (1,200) | 2,027 | 6,969 | 31,214 | 13,727 | 419 | 126,414 | 179,571 | 179 | 179,750 |

* These reserve accounts comprise the consolidated reserves of RMB94,985,000, RMB109,911,000, RMB158,115,000 and RMB179,570,000 in the consolidated statements of financial position as at 31 December 2019, 2020, 2021 and 30 June 2022, respectively.

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY—(Continued)

Six months ended 30 June 2021

| | Attributable to owners of the parent | | | | | | | | | |
|--|--------------------------------------|---|--|--|-----------------------------------|--------------------------------------|---------------------------|----------------|-----------------------------------|----------------------|
| | Paid-in capital (note 29) RMB’000 | Treasury shares repurchased for share incentive scheme* (note 31) RMB’000 | Share premium reserve* (note 31) RMB’000 | Share-based payment reserve* (note 30) RMB’000 | Merger reserve* (note 31) RMB’000 | Statutory reserve* (note 31) RMB’000 | Retained profits* RMB’000 | Total RMB’000 | Non-controlling interests RMB’000 | Total equity RMB’000 |
| At 1 January 2021 | — | (1,200) | — | 4,220 | 31,214 | 9,009 | 66,668 | 109,911 | 18 | 109,929 |
| Profit for the period | — | — | — | — | — | — | 12,342 | 12,342 | 190 | 12,532 |
| Total comprehensive income for the period | — | — | — | — | — | — | 12,342 | 12,342 | 190 | 12,532 |
| Capital contribution by the equity holder of the Company | 1 | — | 2,027 | — | — | — | — | 2,028 | — | 2,028 |
| Equity-settled share-based compensation | — | — | — | 1,002 | — | — | — | 1,002 | — | 1,002 |
| At 30 June 2021 (unaudited) | 1 | (1,200) | 2,027 | 5,222 | 31,214 | 9,009 | 79,010 | 125,283 | 208 | 125,491 |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS

| Notes | Year ended 31 December | | | For the six months ended 30 June | |
|--|------------------------|---------------|----------------|----------------------------------|-----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | | (Unaudited) |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | 36,802 | 61,856 | 56,444 | 18,032 | 27,634 |
| Adjustments for: | | | | | |
| Finance costs | 7 | 3,807 | 10,666 | 11,299 | 6,931 |
| Share of profits and losses of associates | | (210) | (9,370) | (5,540) | (2,108) |
| Fair value gains on biological assets | 5 | (74) | — | — | — |
| Bank interest income | 5 | (728) | (493) | (433) | (184) |
| Interest income from financial assets | 5 | — | — | (68) | — |
| Interest income from Tianjin Tianfu Management | 5 | — | — | — | (110) |
| Interest income from loans to a related party | 5 | — | (5,656) | (2,089) | (2,089) |
| Interest income from an entrusted loan | 5 | (875) | — | — | — |
| Depreciation of property and equipment | 13 | 2,431 | 2,158 | 3,307 | 1,307 |
| Depreciation of investment properties | 14 | 2,848 | 3,701 | 5,933 | 2,830 |
| Amortisation of other intangible assets | 16 | 113 | 379 | 386 | 322 |
| Depreciation of right-of-use assets | 15 | — | — | 3,720 | 1,844 |
| Net loss on disposal of items of property and equipment | 5 | 29 | 247 | 4 | 4 |
| Gain on termination of lease contract as lessee | 5 | — | — | (56) | — |
| Provision for impairment of trade receivables | 23 | 205 | 126 | 258 | 136 |
| COVID-19-related rent concessions from lessors | 15 | — | (1,834) | — | — |
| Equity-settled share award expenses | 30 | 790 | 1,382 | 1,877 | 1,002 |
| | | | | | |
| (Decrease)/increase in restricted deposits | | — | (1,582) | (312) | — |
| Decrease in biological assets | | 362 | 3,820 | — | — |
| (Increase)/decrease in contract assets | | 463 | 3,971 | (8,729) | (3,303) |
| (Increase)/decrease in inventories | | (994) | 2,270 | 87 | 57 |
| Increase in trade receivables | | (8,629) | (20,597) | (12,032) | (35,228) |
| (Increase)/decrease in prepayments, other receivables and other assets | | (6,898) | 4,425 | (4,785) | (3,174) |
| (Decrease)/increase in trade payables | | (2,318) | 33,338 | 231 | 1,334 |
| Increase/(decrease) in other payables and accruals | | 13,756 | 25,615 | (6,838) | (15,072) |
| Cash generated from/(used in) operations | | 40,880 | 114,422 | 42,664 | (27,359) |
| Bank interest income | 5 | 728 | 493 | 433 | 184 |
| Income tax paid | | (4,114) | (11,233) | (12,146) | (10,725) |
| Net cash flows from/(used in) operating activities | | 37,494 | 103,682 | 30,951 | (37,900) |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

| | Notes | Year ended 31 December | | | For the six months ended 30 June | |
|---|-------|------------------------|-----------------|----------------|----------------------------------|-----------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | | |
| Purchases of items of property and equipment | | (4,842) | (4,234) | (6,368) | (2,071) | (13,793) |
| Proceeds from disposal of items of property and equipment | | 299 | 604 | 163 | 296 | 304 |
| Purchases of intangible assets | | (999) | (2,388) | (59) | — | — |
| Proceeds from disposal of financial assets at fair value through other comprehensive income | | — | 5,000 | — | — | — |
| Proceeds from disposal of an associate | | — | 206 | — | — | — |
| Purchases of financial assets at fair value through profit or loss | | — | — | — | — | (12,014) |
| Dividends received from an associate | 17 | — | 2,874 | 5,757 | — | — |
| Advanced from an associate | 20 | — | — | 3,618 | — | — |
| Repayment of advance from an associate | 27 | — | — | — | — | (3,618) |
| Loans to a related party | 20 | — | (124,840) | — | — | — |
| Repayment of loans from a related party | | — | — | 124,840 | 124,840 | — |
| Entrusted loans to a third party | 20 | (30,000) | — | — | — | — |
| Repayment of loans from a third party | | — | 30,000 | — | — | — |
| Interest from loans to a related party | 5 | — | 5,656 | 2,089 | 2,089 | — |
| Interest from an entrusted loan | 5 | 875 | — | — | — | — |
| Interest from financial assets | 5 | — | — | 68 | — | 175 |
| Acquisition of an associate | | (124,803) | — | — | — | — |
| Interest from Tianjin Tianfu management | 5 | — | — | — | — | 110 |
| Net cash flows (used in)/from investing activities | | (159,470) | (87,122) | 130,108 | 125,154 | (28,836) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | | |
| Repayment of interest-bearing bank and other borrowings | | (19,000) | (50,000) | (222,090) | (122,050) | (41,100) |
| New interest-bearing bank and other borrowings | | 50,000 | 208,910 | 110,000 | 50,000 | 30,000 |
| New other loans | 27 | 65,000 | — | — | — | — |
| Repayment of other loans | 27 | — | (65,000) | — | — | — |
| (Increase)/decrease in a time deposit | 25 | — | — | (10,000) | (10,000) | 6,000 |
| Acquisition of interest from the then shareholders | | — | (3,949) | (21,100) | (21,100) | — |
| Principal portion of lease payments | | (734) | (2,407) | (5,935) | (1,238) | (4,485) |

APPENDIX I

ACCOUNTANTS’ REPORT

CONSOLIDATED STATEMENTS OF CASH FLOWS—(Continued)

| | Notes | Year ended 31 December | | | For the six months ended 30 June | |
|--|-------|------------------------|-----------------------|-----------------------|----------------------------------|----------------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | | | (Unaudited) |
| Interest paid | | (3,807) | (10,666) | (11,299) | (6,931) | (4,077) |
| Dividends paid to the then equity holders of subsidiaries | | — | (10,000) | — | — | — |
| Dividends paid to non-controlling shareholders | | — | — | (6) | — | — |
| Capital contribution from a shareholder | | — | 1,100 | 2,028 | 2,028 | — |
| Repayment of amounts due to Tianjin Tianfu management | 27 | — | — | — | — | (701) |
| Net cash flows from/(used in) financing activities | | <u>91,459</u> | <u>67,988</u> | <u>(158,402)</u> | <u>(109,291)</u> | <u>(14,363)</u> |
| NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS | | <u>(30,517)</u> | <u>84,548</u> | <u>2,657</u> | <u>(22,037)</u> | <u>(73,457)</u> |
| Cash and cash equivalents at beginning of year/period | | <u>65,292</u> | <u>34,775</u> | <u>119,323</u> | <u>119,323</u> | <u>121,980</u> |
| CASH AND CASH EQUIVALENTS AT END OF YEAR/PERIOD | | <u><u>34,775</u></u> | <u><u>119,323</u></u> | <u><u>121,980</u></u> | <u><u>97,286</u></u> | <u><u>48,523</u></u> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | | | | | | |
| Cash and cash equivalents as stated in the statement of financial position | 25 | 34,775 | 119,323 | 112,080 | 97,286 | 48,523 |
| Financial assets at amortised cost | 19 | — | — | 9,900 | — | — |
| Cash and cash equivalents as stated in the statement of cash flows | | <u><u>34,775</u></u> | <u><u>119,323</u></u> | <u><u>121,980</u></u> | <u><u>97,286</u></u> | <u><u>48,523</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

STATEMENTS OF FINANCIAL POSITION

| | Notes | <u>As at 31 December</u> | | <u>As at 30 June</u> |
|---|-------|--------------------------|-----------------|----------------------|
| | | <u>2020</u> | <u>2021</u> | <u>2022</u> |
| | | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| NON-CURRENT ASSETS | | | | |
| Investment in a subsidiary | | <u>—</u> | <u>2,028</u> | <u>2,028</u> |
| CURRENT ASSETS | | | | |
| Prepayments, other receivables and other assets | | <u>1,172</u> | <u>3,795</u> | <u>4,609</u> |
| Total current assets | | <u>1,172</u> | <u>3,795</u> | <u>4,609</u> |
| CURRENT LIABILITIES | | | | |
| Due to a subsidiary | 27 | <u>4,729</u> | <u>16,182</u> | <u>19,522</u> |
| Total current liability | | <u>4,729</u> | <u>16,182</u> | <u>19,522</u> |
| NET CURRENT LIABILITIES | | <u>(3,557)</u> | <u>(12,387)</u> | <u>(14,913)</u> |
| NET LIABILITIES | | <u>(3,557)</u> | <u>(10,359)</u> | <u>(12,885)</u> |
| DEFICIT | | | | |
| Paid-in capital | 29 | <u>—</u> | <u>1</u> | <u>1</u> |
| Reserves | 31 | <u>(3,557)</u> | <u>(10,360)</u> | <u>(12,886)</u> |
| Total deficit | | <u>(3,557)</u> | <u>(10,359)</u> | <u>(12,885)</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

II. NOTES TO THE HISTORICAL FINANCIAL INFORMATION

1. CORPORATE AND GROUP INFORMATION

Runhua Intelligence Health Service Co., Ltd. (formerly known as Runhua Property Technology Development Inc) (the “Company”) is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Law of the Cayman Islands. The registered office address of the Company is Suite #4-210, Governors Square, 23 Lime Tree Bay Avenue, PO Box 32311, Grand Cayman KY1-1209, Cayman Islands.

The Company is an investment holding company. During the Relevant Periods, the Company’s subsidiaries were involved in the provision of property management services, property engineering services, landscape construction services, property leasing services and other services (the “[REDACTED] Business”) in the People’s Republic of China (the “PRC”).

Before the Reorganisation of the Group, the [REDACTED] Business was carried out by the subsidiaries now comprising the Group, all of which were controlled by Mr. Luan Tao.

The Company and its subsidiaries now comprising the Group underwent the Reorganisation as set out in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Document.

As at the date of this report, the Company had direct and indirect interests in the subsidiaries, all of which are private limited liability companies, the particulars of which are set out below:

| Name | Place and date of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|--|---|--|----------|--|
| | | | Direct | Indirect | |
| Runhua Property Tech Inc (i) | British Virgin Islands 6 July 2020 | USD 50,000 | 100 | — | Investment holding |
| Runhua Holdings Ltd. (ii) | Hong Kong 7 August 2020 | HKD 1 | — | 100 | Investment holding |
| Shandong Runhua Property Development Co., Ltd. (“山東潤華物業發展有限公司”) (iii) | PRC/ Mainland China 25 September 2020 | RMB 10,000,000 | — | 100 | Provision of property management service |
| Jinan Runwu Landscaping Engineering Co., Ltd. (“濟南潤物園林工程有限公司”) (iii) | PRC/ Mainland China 24 March 2014 | RMB 2,000,000 | — | 100 | Provision of landscape construction service |
| Shandong Runhua Property Management Co., Ltd. (“山東潤華物業管理有限公司”) (iii) | PRC/ Mainland China 14 February 1996 | RMB 50,500,000 | — | 100 | Provision of property management service |
| Jinan Runwu Construction and Installation Engineering Co., Ltd. (“濟南潤物建築安裝工 程有限公司”) (iii) | PRC/ Mainland China 21 May 2015 | RMB 20,000,000 | — | 100 | Provision of property engineering service |
| Shandong Qiantai Commercial Management Co., Ltd. (“山東乾泰商業管理有限公司”) (iii) | PRC/ Mainland China 19 August 2015 | RMB 5,000,000 | — | 100 | Provision of parking service |
| Shandong Anfu Security Service Co., Ltd. (“山東安輔保安服務有限公司”) (iii) | PRC/ Mainland China 13 January 2016 | RMB 20,000,000 | — | 100 | Provision of security service |

APPENDIX I

ACCOUNTANTS’ REPORT

| Name | Place and date of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|--|--|---|--|----------|---|
| | | | Direct | Indirect | |
| Shandong Qianning Commercial Management Co., Ltd. (“山東乾寧商業管理有限公司”) (iii) | PRC/ Mainland China 29 February 2016 | RMB 10,000,000 | — | 100 | Sale of general merchandise |
| Shandong Shanyou Property Management Co., Ltd. (“山東善佑物業經營管理有限公司”) (iii) | PRC/ Mainland China 4 December 2017 | RMB 10,000,000 | — | 100 | Provision of property management service |
| Shandong Anfu Mechanical and Electrical Equipment Co., Ltd. (“山東安輔機電設備有限公司”) (iii) | PRC/ Mainland China 7 May 2019 | RMB 10,000,000 | — | 100 | Sale of elevator accessories |
| Shandong Anning Housekeeping Service Co., Ltd. (“山東安寧健康產業有限公司”) (iii) | PRC/ Mainland China 3 May 2016 | RMB 3,000,000 | — | 100 | Provision of housekeeping service |
| Shandong Kaidi Network and Information Technology Co., Ltd. (“山東凱迪網絡信息技術有限公司”) (iii) | PRC/ Mainland China 1 September 2000 | RMB 5,000,000 | — | 100 | Provision of technological development services |
| Shandong Runhua Renfu Property Services Co., Ltd. (“山東潤華仁孚物業服務有限公司”) (iii) | PRC/ Mainland China 28 May 2020 | RMB 10,000,000 | — | 80 | Provision of property management service |
| Shandong Yongyuan Property Management Co., Ltd. (“山東永源物業管理有限公司”) (iii) | PRC/ Mainland China 25 November 2020 | RMB 3,000,000 | — | 65 | Provision of property management service |
| Jinan Runhui Human Resources Service Co., Ltd. (“濟南潤輝人力資源服務有限公司”) (iii) | PRC/ Mainland China 23 August 2021 | RMB 5,000,000 | — | 100 | Provision of human resources service |

Notes:

- (i) No audited financial statements have been prepared for this entity for the year ended 31 December 2020 and 2021, as this entity is not subject to any statutory audit requirements under the relevant rules and regulations in its jurisdiction of incorporation.
- (ii) No audited financial statements have been prepared for this entity for the year ended 31 December 2020 and 2021.
- (iii) The statutory financial statements of these entities for the year ended 31 December 2019, 2020 and 2021 prepared in accordance with PRC Generally Accepted Accounting Principles were audited by Zhonghui Certified Public Accountants LLP and Shandong Zhiyuan Certified Public Accountants LLP, respectively.

Except for Shandong Runhua Property Development Co., Ltd., which is registered as a wholly-foreign-owned enterprise under PRC law, the above subsidiaries are registered as domestic enterprises with limited liability under PRC law.

2.1 BASIS OF PRESENTATION

Pursuant to the Reorganisation, as more fully explained in the paragraph headed “Reorganisation” in the section headed “History, Development and Reorganisation” in the Document, the Company became the holding company of the companies now comprising the Group on 30 June 2020. Immediately prior to and after the Reorganisation, the [REDACTED] Business is conducted through Shandong Runhua Property Management Co., Ltd. Pursuant to the Reorganisation, the [REDACTED] Business is transferred to and held by Shandong Runhua Property Development Co., Ltd., which is an indirectly wholly-owned subsidiary of the Company. The Company has not been involved in any other business prior to the Reorganisation and does not meet the definition of a business.

APPENDIX I

ACCOUNTANTS’ REPORT

The steps as set out in the paragraph headed “Reorganisation” in the section headed “History, Reorganisation and Corporate Structure” in the Document are merely a reorganisation of Shandong Runhua Property Management Co., Ltd. and did not change the business substance and management of the [REDACTED] Business conducted through Shandong Runhua Property Management Co., Ltd.

Accordingly, the consolidated statements of profit or loss, the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows of the Group are prepared as a continuation of the consolidated financial statements of Shandong Runhua Property Management Co., Ltd., with the assets and liabilities of the [REDACTED] Business recognised and measured at the carrying amounts as recorded in the consolidated financial statements of Shandong Runhua Property Management Co., Ltd. for all periods presented. The consolidated statements of financial position of the Group as at 31 December 2019 has been prepared to present the assets and liabilities of the companies now comprising the Group, as if the current group structure had been in existence at those dates.

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group transactions and balances have been eliminated in full on consolidation.

2.2 BASIS OF PREPARATION

The Historical Financial Information has been prepared in accordance with HKFRSs (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the HKICPA and accounting principles generally accepted in Hong Kong. All HKFRSs effective for the accounting period commencing from 1 January 2022 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the Historical Financial Information throughout the Relevant Periods.

The Historical Financial Information has been prepared under the historical cost convention, except for financial assets including equity investments designated at fair value through other comprehensive income and financial assets at fair value through profit or loss, and biological assets.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not adopted the following new and revised HKFRSs, that have been issued but are not yet effective, in this Historical Financial Information:

| | |
|---|--|
| Amendments to HKFRS 10 and HKAS 28 (2011) | <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i> |
| HKFRS 17 | <i>Insurance Contracts¹</i> |
| Amendments to HKFRS 17 | <i>Insurance Contracts^{1, 5}</i> |
| Amendments to HKAS 1 | <i>Classification of Liabilities as Current or Non-current^{2, 4}</i> |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | <i>Disclosure of Accounting Policies¹</i> |
| Amendments to HKAS 8 | <i>Definition of Accounting Estimates¹</i> |
| Amendments to HKAS 12 | <i>Deferred Tax related to Assets and Liabilities Arising from a Single Transaction¹</i> |

APPENDIX I

ACCOUNTANTS’ REPORT

- ¹ Effective for annual periods beginning on or after 1 January 2023
- ² Effective for annual periods beginning on or after 1 January 2024
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 *Presentation of Financial Statements - Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised in October 2020 to align the corresponding wording with no change in conclusion
- ⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor’s profit or loss only to the extent of the unrelated investor’s interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current. The amendments specify that if an entity’s right to defer settlement of a liability is subject to the entity complying with specified conditions, the entity has a right to defer settlement of the liability at the end of the reporting period if it complies with those conditions at that date. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. The amendments are effective for annual periods beginning on or after 1 January 2023 and shall be applied retrospectively. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity’s financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently assessing the impact of the amendments on the Group’s accounting policy disclosures.

APPENDIX I

ACCOUNTANTS’ REPORT

Amendments to HKAS 8 clarify what changes in accounting estimates are and how these differ from changes in accounting policies and corrections of errors. To clarify the interaction between an accounting policy and an accounting estimate, paragraph 32 of HKAS 8 has been amended to state that: “An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy”. Accounting estimates are now defined as monetary amounts in financial statements that are subject to measurement uncertainty. Accounting estimates typically involve the use of judgements or assumptions based on the latest available reliable information. An accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty - that is, the accounting policy may require such items to be measured at monetary amounts that cannot be observed directly and must instead be estimated. In such cases, an entity develops an accounting estimate to achieve the objective set out by the accounting policy. The amendments become effective for annual reporting periods beginning on or after 1 January 2023, with earlier application permitted. The amendments are not expected to have any significant impact on the Group’s financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted.

The Group has applied the initial recognition exception and did not recognise a deferred tax asset and a deferred tax liability for temporary differences for transactions related to leases. Upon initial application of these amendments, the Group will recognise a deferred tax asset and a deferred tax liability for deductible and taxable temporary differences associated with right-of-use assets and lease liabilities, and recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained profits at the beginning of the earliest comparative period presented.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Subsidiaries

A subsidiary is an entity (including a structured entity), directly or indirectly controlled by the Company. Control is achieved when the Group 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 (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

APPENDIX I

ACCOUNTANTS’ REPORT

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group’s voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are combined from the date on which the Group obtains control and continue to be combined until the date that such control ceases.

Investments in associates

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is able to exercise 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.

The Group’s investments in associates are stated in the consolidated statement of financial position at the Group’s share of net assets under the equity method of accounting, less any impairment losses.

The Group’s share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group’s investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Business combinations and goodwill

Business combinations not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed 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. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree’s identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group’s previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group’s cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combination under common control

As explained in note 31(ii) below, the consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

APPENDIX I

ACCOUNTANTS’ REPORT

Fair value measurement

The Group measures its financial assets including equity investments designated at fair value through other comprehensive income, financial assets at fair value through profit or loss, and biological assets at fair value at the end of each of the Relevant Periods. 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. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the Historical Financial Information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 — based on valuation techniques for which the lowest level input that is significant to the measurement is observable, either directly or indirectly
- Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the Historical Financial Information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each of the Relevant Periods.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, contract assets, deferred tax assets, financial assets and investment properties), the asset’s recoverable amount is estimated. An asset’s recoverable amount is the higher of the asset’s or cash-generating unit’s value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets,

APPENDIX I

ACCOUNTANTS’ REPORT

in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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. An impairment loss is charged the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each of the Relevant Periods as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the statement of profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person’s family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

- (b) the party is an entity where any of the following conditions applies:
 - (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

APPENDIX I

ACCOUNTANTS’ REPORT

- (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| <u>Category</u> | <u>Estimated useful life</u> | <u>Estimated residual value</u> |
|-----------------------------------|--|---------------------------------|
| Buildings | 35 years | 3% |
| Motor vehicles | 4 years | 5% |
| Electronic devices | 3 years | 5% |
| Furniture, fixtures and equipment | 5 years | 5% |
| Leasehold improvement | Over the shorter of the lease terms and 5 years | 0% |
| Others | 3 years | 5% |

Where parts of an item of property and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

APPENDIX I

ACCOUNTANTS’ REPORT

Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs.

The Group measures its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 6 to 35 years.

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 disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of the acquisition. The useful lives of intangible assets are assessed to be finite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

APPENDIX I

ACCOUNTANTS’ REPORT

Leases

The Group assesses at contract inception whether a contract is, or contains, 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.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) *Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets.

(b) *Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. 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, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for termination of a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

(c) *Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option).

Lease payments on short-term leases are recognised as an expense on a straight-line basis over the lease term.

APPENDIX I

ACCOUNTANTS’ REPORT

Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership to an underlying asset to the lessee are accounted for as finance leases.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income, and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset’s contractual cash flow characteristics and the Group’s business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for “Revenue recognition” below.

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, it needs to give rise to cash flows that are solely payments of principal and interest (“SPPI”) on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group’s business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in the statement of profit or loss when the asset is derecognised, modified or impaired.

Financial assets designated at fair value through other comprehensive income (equity investments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity investments designated at fair value through other comprehensive income when they meet the definition of equity under HKAS 32 *Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to the statement of profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity investments designated at fair value through other comprehensive income are not subject to impairment assessment.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group’s consolidated statements of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a “pass-through” arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

APPENDIX I

ACCOUNTANTS’ REPORT

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group’s continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group recognises an allowance for expected credit losses (“ECLs”) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, 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 and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables and contract assets which apply the simplified approach as detailed below.

Stage 1 — Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

APPENDIX I

ACCOUNTANTS’ REPORT

Stage 2 — Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 — Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

Simplified approach

For trade receivables and contract assets that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group’s financial liabilities include trade payables, other payables and accruals and interest-bearing bank and other borrowings.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and other borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the statement of profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the statement of profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

APPENDIX I

ACCOUNTANTS’ REPORT

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the statement of profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group’s own equity instruments.

Biological assets

Biological assets are measured on initial recognition and at the end of each reporting period at fair value less costs to sell, with any gain or loss change therein recognised in profit or loss for the period in which it arises. Costs to sell are the incremental costs directly attributable to the disposal of an asset, mainly transportation costs and excluding finance costs and income taxes. The fair value is determined based on their present location and condition and is valued independently by professional valuers.

Cash and cash equivalents

For the purpose of the consolidated statements of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

APPENDIX I

ACCOUNTANTS’ REPORT

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of each of the Relevant Periods of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the statement of profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the Relevant Periods, taking into consideration interpretations and practises prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of each of the Relevant Periods between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and the associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries and the associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each of the Relevant Periods and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the

APPENDIX I

ACCOUNTANTS’ REPORT

deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each of the Relevant Periods and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each of the Relevant Periods.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

Revenue recognition

Revenue from contracts with customers

Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

APPENDIX I

ACCOUNTANTS’ REPORT

Property management services

Revenue from the provision of property management services is recognised over scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by the Group.

Property engineering and landscape construction services

Revenue from the provision of property engineering and landscape construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The Group transfers control of a service over time if one of the following criteria is met:

- a) the customer simultaneously receives and consumes the benefits provided by the entity’s performance as the entity performs;
- b) the entity’s performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

Other service

Revenue from other services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

APPENDIX I

ACCOUNTANTS’ REPORT

Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments (“equity-settled transactions”).

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each of the Relevant Periods until the vesting date reflects the extent to which the vesting period has expired and the Group’s best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group’s best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

Other employee benefits

Pension scheme

The employees of the Group’s subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal government. These subsidiaries are required to

APPENDIX I

ACCOUNTANTS’ REPORT

contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

Foreign currencies

The Historical Financial Information is presented in RMB, which is the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of each of the Relevant Periods. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of each of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

APPENDIX I

ACCOUNTANTS’ REPORT

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group’s Historical Financial Information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each of the Relevant Periods, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Provision for expected credit losses on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by customer type and rating, and coverage by letters of credit and other forms of credit insurance).

The provision matrix is initially based on the Group’s historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group’s historical credit loss experience and forecast of economic conditions may also not be representative of a customer’s actual default in the future. The information about the ECLs on the Group’s trade receivables is disclosed in note 23 to the Historical Financial Information.

Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate (“IBR”) to measure lease liabilities. The IBR is the rate of interest that the Group would have to

APPENDIX I

ACCOUNTANTS’ REPORT

pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group “would have to pay”, which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary’s functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary’s stand-alone credit rating).

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each of the Relevant Periods. Other non-financial 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 an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm’s length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate to calculate the present value of those cash flows. Further details are given in note 17.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their services and has four reportable operating segments as follows:

- The property management services segment includes property management services and other related services
- The property engineering and landscape construction services segment includes property engineering related services and landscape construction services
- The property leasing services segment comprises, principally, the property leasing services

APPENDIX I

ACCOUNTANTS’ REPORT

- The “others” segment comprises, principally, the technological development services which are mainly software supporting services.

| Year ended 31 December 2019 | <u>Property management</u> RMB’000 | <u>Property engineering and landscape construction services</u> RMB’000 | <u>Property leasing services</u> RMB’000 | <u>Others</u> RMB’000 | <u>Total</u> RMB’000 |
|---|---|--|---|--------------------------|-------------------------|
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 366,970 | 16,866 | 6,173 | 7,087 | 397,096 |
| Segment results | <u>31,338</u> | <u>2,671</u> | <u>1,957</u> | <u>(127)</u> | <u>35,839</u> |
| Unallocated amounts: | | | | | |
| Other unallocated income and gains | | | | | 4,560 |
| Share of profits and losses of associates | | | | | 210 |
| Finance costs | | | | | <u>(3,807)</u> |
| Profit before tax | | | | | <u><u>36,802</u></u> |
| | | | | | |
| Year ended 31 December 2020 | <u>Property management</u> RMB’000 | <u>Property engineering and landscape construction services</u> RMB’000 | <u>Property leasing services</u> RMB’000 | <u>Others</u> RMB’000 | <u>Total</u> RMB’000 |
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 402,198 | 74,863 | 8,442 | 592 | 486,095 |
| Segment results | <u>43,085</u> | <u>13,716</u> | <u>4,133</u> | <u>(2,282)</u> | <u>58,652</u> |
| Unallocated amounts: | | | | | |
| Other unallocated income and gains | | | | | 8,057 |
| Share of profits and losses of associates | | | | | 9,370 |
| Finance costs | | | | | (10,666) |
| Corporate and other unallocated expenses | | | | | <u>(3,557)</u> |
| Profit before tax | | | | | <u><u>61,856</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| Year ended 31 December 2021 | Property management | Property engineering and landscape construction services | Property leasing services | Others | Total |
|--|--------------------------------|---|--|----------------|----------------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 542,838 | 49,301 | 5,942 | 3,217 | 601,298 |
| Segment results | <u>58,771</u> | <u>3,724</u> | <u>774</u> | <u>468</u> | <u>63,737</u> |
| Unallocated amounts: | | | | | |
| Other unallocated income and gains | | | | | 7,296 |
| Share of profits and losses of an associate | | | | | 5,540 |
| Finance costs | | | | | (11,299) |
| Corporate and other unallocated expenses | | | | | <u>(8,830)</u> |
| Profit before tax | | | | | <u><u>56,444</u></u> |
| | | | | | |
| For the six months ended 30 June 2022 | Property management | Property engineering and landscape construction services | Property leasing services | Others | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 307,244 | 9,358 | 3,268 | 1,521 | 321,391 |
| Segment results | <u>36,189</u> | <u>3,432</u> | <u>(11,258)</u> | <u>(794)</u> | <u>27,569</u> |
| Unallocated amounts: | | | | | |
| Other unallocated income and gains | | | | | 2,833 |
| Share of profits and losses of associates | | | | | 3,832 |
| Finance costs | | | | | (4,077) |
| Corporate and other unallocated expenses | | | | | <u>(2,523)</u> |
| Profit before tax | | | | | <u><u>27,634</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| For the six months ended 30 June 2021 (Unaudited) | Property management | Property engineering and landscape construction services | Property leasing services | Others | Total |
|--|------------------------|---|---------------------------------|--------------|----------------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Segment revenue (note 5) | | | | | |
| Sales to external customers | 250,679 | 7,052 | 3,005 | 884 | 261,620 |
| Segment results | <u>27,490</u> | <u>(117)</u> | <u>583</u> | <u>(796)</u> | <u>27,160</u> |
| Unallocated amounts: | | | | | |
| Other unallocated income and gains | | | | | 3,817 |
| Share of profits and losses of associates | | | | | 2,108 |
| Finance costs | | | | | (6,931) |
| Corporate and other unallocated expenses | | | | | <u>(8,122)</u> |
| Profit before tax | | | | | <u><u>18,032</u></u> |

Management monitors the results of the Group’s operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Information about geographical areas

Since 100% of the Group’s revenue and operating profit were generated from Mainland China and 100% of the Group’s non-current assets other than financial instruments, deferred tax assets were located in Mainland China during the Relevant Periods, no geographical information in accordance with HKFRS 8 *Operating Segments* is presented.

Information about major customers

For the year ended 31 December 2020, revenue from a group of entities which are known to be under common control of a related party contributed 13.1% of the Group’s total revenue, amounting to RMB63,681,000. Other than this group of entities, the Group has a large number of customers, and none of the revenue from these customers contributed 10% or more of the Group’s revenue during the Relevant Periods and Interim Comparative Financial periods.

APPENDIX I

ACCOUNTANTS’ REPORT

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET

An analysis of revenue is as follows:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|----------------|----------------|-------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| <i>Revenue from contracts with customers</i> | 390,923 | 477,653 | 595,356 | 258,615 | 318,123 |
| <i>Revenue from other sources</i> | | | | | |
| Gross rental income from property leasing services | 6,173 | 8,442 | 5,942 | 3,005 | 3,268 |
| | <u>397,096</u> | <u>486,095</u> | <u>601,298</u> | <u>261,620</u> | <u>321,391</u> |

Revenue from contracts with customers

(a) Disaggregated revenue information

| Types of services | Year ended 31 December | | | For the six months ended 30 June | |
|--|------------------------|----------------|----------------|-------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Property management services | 366,970 | 402,198 | 542,838 | 250,679 | 307,244 |
| Property engineering services and landscape construction services | 16,866 | 74,863 | 49,301 | 7,052 | 9,358 |
| Others | 7,087 | 592 | 3,217 | 884 | 1,521 |
| Total revenue from contracts with customers | <u>390,923</u> | <u>477,653</u> | <u>595,356</u> | <u>258,615</u> | <u>318,123</u> |
| Timing of revenue recognition | | | | | |
| Services transferred overtime | <u>390,923</u> | <u>477,653</u> | <u>595,356</u> | <u>258,615</u> | <u>318,123</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

The following table shows the amounts of revenue recognised in the Relevant Periods and the six months ended 30 June 2021 that were included in the contract liabilities at the beginning of the Relevant Periods and the six months ended 30 June 2021 and recognised from performance obligations satisfied in previous periods:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|---------------|---------------|-------------------------------------|---------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Revenue recognised that was included in contract liabilities at the beginning of the Relevant Periods | | | | | |
| Property management services | 10,066 | 12,911 | 13,607 | 13,607 | 19,521 |
| Property engineering services and landscape construction services | — | 122 | 11,761 | 7,052 | 1,999 |
| Others | 255 | 237 | 393 | 393 | 448 |
| | <u>10,321</u> | <u>13,270</u> | <u>25,761</u> | <u>21,052</u> | <u>21,968</u> |

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to five years, and are billed based on the time when the services are provided.

Property engineering services and landscape construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group’s entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

Others services

The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Other service contracts are for periods of one year or less, or are billed based on the time when the services are provided.

APPENDIX I

ACCOUNTANTS’ REPORT

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) during the Relevant Periods and the six months ended 30 June 2021 are as follows:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|----------------|----------------|-------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Amounts expected to be recognised as revenue: | | | | | |
| Within one year | 141,204 | 188,490 | 294,435 | 236,260 | 272,740 |
| After one year | 24,580 | 13,678 | 26,501 | 11,982 | 20,737 |
| | 165,784 | 202,168 | 320,936 | 248,242 | 293,477 |

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property management services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|--------------|--------------|-------------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Other income | | | | | |
| Government grants* | 2,883 | 1,634 | 4,467 | 1,386 | 1,792 |
| Bank interest income | 728 | 493 | 433 | 184 | 602 |
| Interest income from loans to a related party | — | 5,656 | 2,089 | 2,089 | — |
| Interest income from an entrusted loan | 875 | — | — | — | — |
| Interest income from financial assets | — | — | 68 | — | 175 |
| Interest income from Tianjin Tianfu Management | — | — | — | — | 110 |
| Others | — | — | — | 23 | — |
| | 4,486 | 7,783 | 7,057 | 3,682 | 2,679 |
| Gains | | | | | |
| Fair value gains on biological assets | 74 | — | — | — | — |
| Gain on termination of lease contract as lessee | — | — | 56 | — | — |
| Others | — | 274 | 183 | 139 | 154 |
| | 74 | 274 | 239 | 139 | 154 |
| Other expenses | | | | | |
| Loss on disposal of items of property and equipment | (29) | (247) | (4) | (4) | (55) |
| | (29) | (247) | (4) | (4) | (55) |
| | 4,531 | 7,810 | 7,292 | 3,817 | 2,778 |

APPENDIX I

ACCOUNTANTS’ REPORT

* Government grants include various subsidies received by the Group from the relevant government bodies. There are no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group’s profit before tax is arrived at after charging/(crediting):

| Notes | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|------------|------------|-------------------------------------|------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | | |
| Cost of services provided* | 56,642 | 109,570 | 208,651 | 82,717 | 93,796 |
| Depreciation of property and equipment | 13 | 2,431 | 2,158 | 3,307 | 1,307 |
| Depreciation of investment properties | 14 | 2,848 | 3,701 | 5,933 | 2,830 |
| Depreciation of right-of-use assets | 15 | — | — | 3,720 | 1,844 |
| Amortisation of other intangible assets** | 16 | 113 | 379 | 386 | 322 |
| Employee benefit expenses (including directors’ and chief executive’s remuneration (note 8)): | | | | | |
| Wages and salaries | 262,118 | 279,431 | 280,291 | 120,784 | 158,443 |
| Pension scheme contributions | 15,501 | 10,378 | 12,366 | 8,932 | 8,320 |
| Equity-settled share award expenses | 790 | 1,382 | 1,877 | 1,002 | 872 |
| Fair value change of biological assets | 5 | 74 | — | — | — |
| Lease payments not included in the measurement of lease liabilities | | — | 167 | 438 | 178 |
| Provision for impairment of trade receivables | 23 | 205 | 126 | 258 | 136 |
| [REDACTED] | | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |

* The amount of cost of services excludes those included in depreciation of property and equipment, depreciation of investment properties and employee benefit expenses, which are included in the respective total amounts disclosed separately above for each of these types of expenses during the Relevant Periods and the six months ended 30 June 2021.

** The amortisation of other intangible assets during the Relevant Periods and the six months ended 30 June 2021 is included in administrative expenses in the consolidated statements of profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

7. FINANCE COSTS

An analysis of finance costs is as follows:

| | Year ended 31 December | | | For the six months ended 30 June | |
|--|------------------------|---------------|---------------|-------------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest on interest-bearing bank and other borrowings | 2,241 | 7,450 | 9,740 | 6,184 | 2,372 |
| Interest on other loans | 500 | 2,008 | — | — | — |
| Interest on lease liabilities | 1,066 | 1,208 | 1,559 | 747 | 1,705 |
| | <u>3,807</u> | <u>10,666</u> | <u>11,299</u> | <u>6,931</u> | <u>4,077</u> |

8. DIRECTORS’ AND CHIEF EXECUTIVE’S REMUNERATION

The Company did not have any chief executive, executive directors, non-executive directors and independent non-executive directors during the year ended 31 December 2019. The Company was incorporated on 30 June 2020, and its directors are appointed as follows:

Mr. Yang Liqun and Mr. Fei Zhongli were appointed as executive directors of the Company on 30 June 2020. Mr. Luan Tao, Mr. Luan Hangqian and Mr. Cheng Xin were appointed as non-executive directors of the Company on 26 October 2020, 30 June 2020, 30 June 2020, respectively. Mr. Fei Zhong was appointed as the chief executive of the Company on 30 June 2020.

APPENDIX I

ACCOUNTANTS’ REPORT

Certain of the directors received remuneration from the subsidiaries during the Relevant Periods and the six months ended 30 June 2021 now comprising the Group for their appointment as directors of these subsidiaries. The remuneration of each of these directors is as follows:

| | Year ended 31 December 2019 | | | | |
|--|-----------------------------|---|------------------------------|-------------------------------------|------------|
| | Fees | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity-settled share award expenses | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Chairman of the Board and executive director: | | | | | |
| Mr. Yang Liqun | — | 382 | 34 | 126 | 542 |
| Chief Executive Officer and executive director: | | | | | |
| Mr. Fei Zhongli | — | 357 | 34 | 42 | 433 |
| | <u>—</u> | <u>739</u> | <u>68</u> | <u>168</u> | <u>975</u> |

| | Year ended 31 December 2020 | | | | | |
|--|-----------------------------|---|------------------------------|-------------------------------------|-----------------------------|--------------|
| | Fees | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity-settled share award expenses | Performance related bonuses | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Chairman of the Board and executive director: | | | | | | |
| Mr. Yang Liqun | — | 377 | 26 | 362 | 1,200 | 1,965 |
| Chief Executive Officer and executive director: | | | | | | |
| Mr. Fei Zhongli | — | 456 | 26 | 76 | 550 | 1,108 |
| Non-executive directors: | | | | | | |
| Mr. Luan Tao | — | — | — | — | — | — |
| Mr. Cheng Xin | — | — | — | — | — | — |
| Mr. Luan Hangqian | — | — | — | — | — | — |
| | <u>—</u> | <u>833</u> | <u>52</u> | <u>438</u> | <u>1,750</u> | <u>3,073</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| Year ended 31 December 2021 | | | | | | |
|--|---|------------------------------------|---|-----------------------------------|---------|---------|
| | Salaries, allowances and benefits | Pension scheme contributions | Equity- settled share award expenses | Performance related bonuses | Total | |
| | Fees in kind | contributions | expenses | bonuses | Total | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Chairman of the Board and executive director: | | | | | | |
| Mr. Yang Liquan | — | 314 | 36 | 410 | 120 | 880 |
| Chief Executive Officer and executive director: | | | | | | |
| Mr. Fei Zhongli | — | 464 | 36 | 77 | 100 | 677 |
| Non-executive directors: | | | | | | |
| Mr. Luan Tao | — | — | — | — | — | — |
| Mr. Cheng Xin | — | — | — | — | — | — |
| Mr. Luan Hangqian | — | — | — | — | — | — |
| | — | 778 | 72 | 487 | 220 | 1,557 |

| Six months ended 30 June 2021 (Unaudited) | | | | | | |
|--|---|------------------------------------|---|---------|---------|--|
| | Salaries, allowances and benefits | Pension scheme contributions | Equity- settled share award expenses | Total | | |
| | Fees in kind | contributions | expenses | Total | | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | |
| Chairman of the Board and executive director: | | | | | | |
| Mr. Yang Liquan | — | 154 | 17 | 205 | 376 | |
| Chief Executive Officer and executive director: | | | | | | |
| Mr. Fei Zhongli | — | 230 | 17 | 39 | 286 | |
| Non-executive directors: | | | | | | |
| Mr. Luan Tao | — | — | — | — | — | |
| Mr. Cheng Xin | — | — | — | — | — | |
| Mr. Luan Hangqian | — | — | — | — | — | |
| | — | 384 | 34 | 244 | 662 | |

APPENDIX I

ACCOUNTANTS’ REPORT

| | Six months ended 30 June 2022 | | | | |
|--|-------------------------------|--|------------------------------------|---|---------|
| | Fees | Salaries, allowances and benefits in kind | Pension scheme contributions | Equity- settled share award expenses | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Chairman of the Board and executive director: | | | | | |
| Mr. Yang Liqun | — | 156 | 20 | 190 | 366 |
| Chief Executive Officer and executive director: | | | | | |
| Mr. Fei Zhongli | — | 188 | 20 | 34 | 242 |
| Non-executive directors: | | | | | |
| Mr. Luan Tao | — | — | — | — | — |
| Mr. Cheng Xin | — | — | — | — | — |
| Mr. Luan Hangqian | — | — | — | — | — |
| | — | 344 | 40 | 224 | 608 |

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year ended 2019, 2020, and 2021 and the six months ended 30 June 2021 included two directors. The five highest paid employees during 30 June 2022 included one director. Details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company during the Relevant Periods and the six months ended 30 June 2021 are as follows:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|---------|---------|-------------------------------------|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Salaries, allowances and benefits in kind | 908 | 1,282 | 1,453 | 708 | 932 |
| Pension scheme contributions | 100 | 76 | 108 | 50 | 79 |
| Equity-settled share award expenses | 63 | 228 | 268 | 134 | 158 |
| Performance related bonuses | — | 1,323 | 180 | — | — |
| | 1,071 | 2,909 | 2,009 | 892 | 1,169 |

APPENDIX I

ACCOUNTANTS’ REPORT

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees As at 31 December | | | Number of employees As at 30 June | |
|----------------------------|--|----------|----------|--------------------------------------|----------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | | | (Unaudited) | |
| Nil to HKD500,000 | 3 | — | — | 3 | 4 |
| HKD500,001 to HKD1,000,000 | — | 3 | 3 | — | — |
| | <u>3</u> | <u>3</u> | <u>3</u> | <u>3</u> | <u>4</u> |

10. INCOME TAX EXPENSE

| | Year ended 31 December | | | For the six months ended 30 June | |
|----------------------------|------------------------|---------------|---------------|-------------------------------------|----------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | (Unaudited) | |
| Current Mainland China | | | | | |
| Corporate income tax | | | | | |
| Charge for the year/period | 10,802 | 12,453 | 11,473 | 7,055 | 9,882 |
| Deferred (note 18) | <u>(1,108)</u> | <u>711</u> | <u>520</u> | <u>(1,555)</u> | <u>(2,428)</u> |
| Total | <u>9,694</u> | <u>13,164</u> | <u>11,993</u> | <u>5,500</u> | <u>7,454</u> |

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

In accordance with the Enterprise Income Tax Law of the People’s Republic of China, subsidiaries established in the PRC were subject to the income tax rate of 25% during the Relevant Periods and the six months ended 30 June 2021.

One of the Group’s PRC subsidiaries is qualified as high and new technology enterprise in 2020 and thus entitled to a preferential tax rate of a 15% from 2020 to 2022. Meanwhile this subsidiary is also qualified as a double soft certification enterprise from 2018, under the “Two Free, Three Half” program, and exempted from income tax in the first two years of profitability and pays only half of its applicable income taxes of 25% for the next three years. In this connection, this subsidiary is taxed at nil, 12.5% and 12.5% for the year ended 2019, 2020 and 2021, respectively. In addition, this subsidiary is also qualified as Small Low-profit Enterprises, which the taxable income rate is subject to the preferential income tax policy with a lower actual tax burden.

APPENDIX I

ACCOUNTANTS’ REPORT

According to the “Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small Low-profit Enterprises” (Announcement No. 13 [2022] of the Ministry of Finance and the State Administration of Taxation) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2022 to 31 December 2024, for the portion of annual taxable income amount which exceeds RMB1 million but not more than RMB3 million, the taxable income amount is reduced at a rate of 25%, and it is subject to enterprise income tax at 20% tax rate. According to the “Announcement of the Ministry of Finance and the State Administration of Taxation on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households” (No. 12 at the end of 2021) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2021 to 31 December 2022, for the portion of annual taxable income amount which does not exceed RMB1 million, the taxable income amount is reduced at a rate of 12.5%, and it is subject to enterprise income tax at 20% tax rate. Certain of the Group’s PRC subsidiaries and branches are qualified as small low-profit enterprises and thus were entitled to tax incentives during the Relevant Periods and the six months ended 30 June 2021.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates are as follows:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|---------------|---------------|----------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | (Unaudited) | |
| Profit before tax | 36,802 | 61,856 | 56,444 | 18,032 | 27,634 |
| Tax at the PRC corporate income tax rate of 25% | 9,200 | 15,464 | 14,111 | 4,508 | 6,909 |
| Effect of preferential tax rate of subsidiaries | (740) | (886) | (2,281) | (338) | (1,539) |
| Adjustments in respect of current tax of previous periods | — | — | — | — | 273 |
| Expenses not deductible for tax | 1,217 | 973 | 1,769 | 1,310 | 1,084 |
| Profits attributable to associates | (53) | (2,343) | (1,386) | (527) | (958) |
| Research and development super-deduction | — | (83) | (103) | — | (25) |
| Income not subject to tax | — | — | (17) | — | (10) |
| Tax losses utilised from previous periods | — | — | (132) | (16) | (31) |
| Tax losses and temporary differences not recognised | 70 | 39 | 32 | 563 | 1,751 |
| Tax charge at the Group’s effective rate | <u>9,694</u> | <u>13,164</u> | <u>11,993</u> | <u>5,500</u> | <u>7,454</u> |

The share of tax attributable to associates during the year ended 2019, 2020, and 2021 and the six months ended 30 June 2022 and 2021 was amounting to RMB70,000, RMB3,085,000, RMB1,625,000, RMB1,952,000 and RMB863,000 and respectively, is included in “Share of profits and losses of associates” in the consolidated statement of profit or loss.

APPENDIX I

ACCOUNTANTS’ REPORT

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares during the years ended 31 December 2019 and 2020 which are adjusted retrospectively to reflect the share split from 1 to 4 during the Reorganisation.

The Group had no potentially dilutive ordinary shares in issue during the Relevant Periods and the six months ended 30 June 2021.

The calculations of basic and diluted earnings per share are based on:

| | Year ended 31 December | | | For the six months ended 30 June | |
|--|------------------------|---------|---------|----------------------------------|---------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Earnings: | | | | | |
| Profit attributable to ordinary equity holders of the parent | 27,108 | 48,674 | 44,300 | 12,342 | 20,164 |

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|-------------|-------------|----------------------------------|-------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Number of shares: | | | | | |
| Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation | 80,000,000 | 179,833,167 | 196,999,000 | 196,999,000 | 196,999,000 |
| Earning per share (RMB) | 0.34 | 0.27 | 0.22 | 0.06 | 0.10 |

12. DIVIDENDS

No dividends have been paid or declared by the Company during the Relevant Periods and the six months ended 30 June 2021.

APPENDIX I

ACCOUNTANTS’ REPORT

13. PROPERTY AND EQUIPMENT

| <u>Group</u> | <u>Buildings</u> | <u>Electronic devices</u> | <u>Furniture, fixtures and equipment</u> | <u>Motor vehicles</u> | <u>Others</u> | <u>Total</u> |
|--|------------------|---------------------------|--|-----------------------|----------------|----------------|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| 31 December 2019 | | | | | | |
| At 1 January 2019 | | | | | | |
| Cost | 6,648 | 2,205 | 8,877 | 1,266 | 1,442 | 20,438 |
| Accumulated depreciation | (493) | (997) | (3,829) | (590) | (73) | (5,982) |
| Net carrying amount | <u>6,155</u> | <u>1,208</u> | <u>5,048</u> | <u>676</u> | <u>1,369</u> | <u>14,456</u> |
| At 1 January 2019, net of accumulated depreciation | | | | | | |
| Additions | 2,194 | 353 | 2,212 | 83 | — | 4,842 |
| Disposals | — | (31) | (297) | — | — | (328) |
| Transfer to investment properties | (2,194) | — | — | — | — | (2,194) |
| Depreciation provided during the year | (173) | (555) | (1,306) | (205) | (192) | (2,431) |
| At 31 December 2019, net of accumulated depreciation | <u>5,982</u> | <u>975</u> | <u>5,657</u> | <u>554</u> | <u>1,177</u> | <u>14,345</u> |
| At 31 December 2019 | | | | | | |
| Cost | 6,648 | 2,527 | 10,792 | 1,349 | 1,442 | 22,758 |
| Accumulated depreciation | (666) | (1,552) | (5,135) | (795) | (265) | (8,413) |
| Net carrying amount | <u>5,982</u> | <u>975</u> | <u>5,657</u> | <u>554</u> | <u>1,177</u> | <u>14,345</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| Group | Buildings | Electronic devices | Furniture, fixtures and equipment | Motor vehicles | Others | Total |
|--|--------------|--------------------|-----------------------------------|----------------|--------------|---------------|
| | | | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| 31 December 2020 | | | | | | |
| At 1 January 2020 | | | | | | |
| Cost | 6,648 | 2,527 | 10,792 | 1,349 | 1,442 | 22,758 |
| Accumulated depreciation | (666) | (1,552) | (5,135) | (795) | (265) | (8,413) |
| Net carrying amount | <u>5,982</u> | <u>975</u> | <u>5,657</u> | <u>554</u> | <u>1,177</u> | <u>14,345</u> |
| At 1 January 2020, net of accumulated depreciation | | | | | | |
| Additions | — | 835 | 2,693 | 706 | — | 4,234 |
| Disposals | — | (72) | (450) | (329) | — | (851) |
| Depreciation provided during the year | (173) | (496) | (1,324) | (50) | (115) | (2,158) |
| At 31 December 2020, net of accumulated depreciation | <u>5,809</u> | <u>1,242</u> | <u>6,576</u> | <u>881</u> | <u>1,062</u> | <u>15,570</u> |
| At 31 December 2020 | | | | | | |
| Cost | 6,648 | 3,290 | 13,035 | 1,726 | 1,442 | 26,141 |
| Accumulated depreciation | (839) | (2,048) | (6,459) | (845) | (380) | (10,571) |
| Net carrying amount | <u>5,809</u> | <u>1,242</u> | <u>6,576</u> | <u>881</u> | <u>1,062</u> | <u>15,570</u> |
| Group | Buildings | Electronic devices | Furniture, fixtures and equipment | Motor vehicles | Others | Total |
| | | | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| 31 December 2021 | | | | | | |
| At 1 January 2021 | | | | | | |
| Cost | 6,648 | 3,290 | 13,035 | 1,726 | 1,442 | 26,141 |
| Accumulated depreciation | (839) | (2,048) | (6,459) | (845) | (380) | (10,571) |
| Net carrying amount | <u>5,809</u> | <u>1,242</u> | <u>6,576</u> | <u>881</u> | <u>1,062</u> | <u>15,570</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| <u>Group</u> | <u>Buildings</u> | <u>Electronic devices</u> | <u>Furniture, fixtures and equipment</u> | <u>Motor vehicles</u> | <u>Others</u> | <u>Total</u> |
|--|------------------|---------------------------|--|-----------------------|----------------|----------------|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| At 1 January 2021, net of accumulated depreciation | 5,809 | 1,242 | 6,576 | 881 | 1,062 | 15,570 |
| Additions | — | 1,003 | 5,049 | 316 | — | 6,368 |
| Disposals | — | (44) | (123) | — | — | (167) |
| Depreciation provided during the year | (173) | (399) | (2,280) | (345) | (110) | (3,307) |
| At 31 December 2021, net of accumulated depreciation | <u>5,636</u> | <u>1,802</u> | <u>9,222</u> | <u>852</u> | <u>952</u> | <u>18,464</u> |
| At 31 December 2021 | | | | | | |
| Cost | 6,648 | 3,427 | 16,992 | 2,042 | 1,442 | 30,551 |
| Accumulated depreciation | (1,012) | (1,625) | (7,770) | (1,190) | (490) | (12,087) |
| Net carrying amount | <u>5,636</u> | <u>1,802</u> | <u>9,222</u> | <u>852</u> | <u>952</u> | <u>18,464</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| Group | Furniture, fixtures | | | | | | Total |
|--|---------------------|--------------------|---------------|----------------|-----------------------|------------|---------------|
| | Buildings | Electronic devices | and equipment | Motor vehicles | Leasehold improvement | Others | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| 30 June 2022 | | | | | | | |
| At 1 January 2022 | | | | | | | |
| Cost | 6,648 | 3,427 | 16,992 | 2,042 | — | 1,442 | 30,551 |
| Accumulated depreciation | (1,012) | (1,625) | (7,770) | (1,190) | — | (490) | (12,087) |
| Net carrying amount | <u>5,636</u> | <u>1,802</u> | <u>9,222</u> | <u>852</u> | <u>—</u> | <u>952</u> | <u>18,464</u> |
| At 1 January 2022, net of accumulated depreciation | | | | | | | |
| | 5,636 | 1,802 | 9,222 | 852 | — | 952 | 18,464 |
| Additions | — | 437 | 1,914 | 22 | 11,420 | — | 13,793 |
| Disposals | — | (11) | (346) | (2) | — | — | (359) |
| Depreciation provided during the period | (87) | (296) | (1,364) | (197) | (696) | (29) | (2,669) |
| At 30 June 2022, net of accumulated depreciation | <u>5,549</u> | <u>1,932</u> | <u>9,426</u> | <u>675</u> | <u>10,724</u> | <u>923</u> | <u>29,229</u> |
| At 30 June 2022 | | | | | | | |
| Cost | 6,648 | 3,853 | 18,560 | 2,062 | 11,420 | 1,442 | 43,985 |
| Accumulated depreciation | (1,099) | (1,921) | (9,134) | (1,387) | (696) | (519) | (14,756) |
| Net carrying amount | <u>5,549</u> | <u>1,932</u> | <u>9,426</u> | <u>675</u> | <u>10,724</u> | <u>923</u> | <u>29,229</u> |

* As at 31 December 2019, 2020, 2021 and 30 June 2022, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB1,177,000, RMB1,062,000, RMB952,000 and RMB923,000, respectively.

** As at 31 December 2020 and 2021, the buildings with a net book value of approximately RMB5,809,000 and RMB5,636,000 were mortgaged to the bank for a loan amounting to RMB30,000,000 with an interest rate of 5.655%, and RMB20,000,000 with an interest rate of 5.655%, respectively (note 28). There were no items of property or equipment been mortgaged as at 30 June 2022.

APPENDIX I

ACCOUNTANTS’ REPORT

14. INVESTMENT PROPERTIES

| Group | As at 31 December | | | As at |
|---|-------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | | | | RMB’000 |
| Carrying amount at the beginning of year/period | 32,125 | 34,038 | 45,848 | 63,904 |
| Transfer from self-owned properties | 2,194 | — | — | — |
| Additions | 2,567 | 15,511 | 26,666 | — |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | — | — | — | 46,218 |
| Termination of lease contract | — | — | (2,677) | — |
| Depreciation | (2,848) | (3,701) | (5,933) | (11,053) |
| Carrying amount at the end of year/period | <u>34,038</u> | <u>45,848</u> | <u>63,904</u> | <u>99,069</u> |

The Group’s investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The Group’s investment properties are located on the land in the PRC with a land use right period of 40 years for self-owned properties.

As at 31 December 2020 and 2021, the investment properties with a net book value of approximately RMB10,319,000, and RMB10,054,000 were mortgaged to the bank for a loan amounting to RMB30,000,000 with an interest rate of 5.655%, and RMB20,000,000 with interest rate of 5.655% respectively (note 28). There were no items of investment properties been mortgaged as at 30 June 2022.

Fair value of the investment properties as at the end of each of the Relevant Periods are as follows:

| | As at 31 December | | | As at |
|----------------------------------|-------------------|---------------|---------------|----------------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | | | | RMB’000 |
| Investment properties in the PRC | <u>50,620</u> | <u>58,820</u> | <u>75,519</u> | <u>124,243</u> |

The fair value of the Group’s investment properties as at the end of each of the Relevant Periods are determined by valuations conducted by Arista Valuation Advisory Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted for properties.

The market approach is based on market comparable transactions available in the market and adjustments of various factors would be made between the subject properties and comparable properties.

The fair value estimations for the self-owned properties and leased properties were both at Level 3 of the fair value hierarchy.

APPENDIX I

ACCOUNTANTS’ REPORT

The investment properties subleased to third parties and related parties are under operating leases, further summary details of these lease liabilities are included in note 15 to the Historical Financial Information. The carrying amounts of the investment properties subleased or intended to be subleased at 31 December 2019, 2020 and 2021, and 30 June 2022 were RMB20,360,000, RMB32,608,000, RMB51,356,000 and RMB86,865,000, respectively.

15. LEASES

The Group as a lessee

The Group has lease contracts for car parks. Leases of car parks generally have lease terms between 16 months and 9 years.

(a) Right-of-use assets

Except for the amounts classified as investment properties and detailed in note 14, the carrying amounts of the Group’s other right-of-use assets and the movements during the year ended 31 December 2021 and the six months ended 30 June 2022 are as follows:

| Group | Leasehold Property | |
|---|--------------------|------------|
| | As at | As at |
| | 31 December | 30 June |
| | 2021 | 2022 |
| | RMB’000 | RMB’000 |
| Carrying amount at the beginning of year/period | — | 1,285 |
| Additions | 5,005 | — |
| Depreciation charge | (3,720) | (953) |
| Carrying amount at the end of year/period | <u>1,285</u> | <u>332</u> |

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the Relevant Periods are as follows:

| Group | As at 31 December | | | As at |
|---|-------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Carrying amount at the beginning of year/period | 18,992 | 20,825 | 31,353 | 54,356 |
| New leases | 2,567 | 15,511 | 31,671 | — |
| Accretion of interest recognised during the year/period | 1,066 | 1,208 | 1,559 | 1,705 |
| COVID-19-related rent concessions from lessors | — | (1,834) | — | (419) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | — | — | — | 46,218 |
| Termination of the lease contract | — | — | (2,733) | — |

APPENDIX I

ACCOUNTANTS’ REPORT

| Group | As at 31 December | | | As at 30 June |
|---|-------------------|---------------|---------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Payments | (1,800) | (4,357) | (7,494) | (6,190) |
| Carrying amount at the end of year/period | <u>20,825</u> | <u>31,353</u> | <u>54,356</u> | <u>95,670</u> |

| Group | As at 31 December | | | As at 30 June |
|-----------------------|-------------------|---------------|---------------|------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Analysed into: | | | | |
| Current portion | 2,184 | 3,085 | 6,718 | 10,916 |
| Non-current portion | <u>18,641</u> | <u>28,268</u> | <u>47,638</u> | <u>84,754</u> |

The maturity analysis of lease liabilities is disclosed in note 36 to the Historical Financial Information.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the year ended 31 December 2020 and the six months ended 30 June 2022.

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | As at 31 December | | | As at 30 June | |
|---|-------------------|--------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest on lease liabilities | 1,066 | 1,208 | 1,559 | 747 | 1,705 |
| Depreciation of investment properties and right-of-use assets | 2,487 | 3,263 | 8,369 | 4,474 | 11,663 |
| Expense relating to short-term leases | — | 167 | 438 | 178 | 1,346 |
| Total amount recognised in profit or loss | <u>3,553</u> | <u>4,638</u> | <u>10,366</u> | <u>5,399</u> | <u>14,714</u> |

The Group as a lessor

The Group leases its commercial property, investment properties (note 14) located in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits, in addition, the rent is subject to periodic adjustments according to the then prevailing market conditions. During the Relevant Periods and the six months ended 30 June 2021, rental income recognised by the Group was RMB6,173,000, RMB8,442,000 and RMB5,942,000 and RMB3,005,000 and RMB3,268,000, respectively, details of which are included in note 5 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

During the Relevant Periods, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

| | As at 31 December | | | As at 30 June | |
|---|-------------------|---------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Within one year | 3,995 | 6,221 | 6,783 | 5,991 | 6,286 |
| After one year but within two years | 3,524 | 5,831 | 6,030 | 6,030 | 6,198 |
| After two years but within three years | 3,524 | 5,486 | 6,713 | 5,968 | 5,774 |
| After three years but within four years | 3,524 | 5,193 | 5,325 | 5,451 | 4,692 |
| After four years but within five years | 3,524 | 3,994 | 4,813 | 4,283 | 4,280 |
| After five years | 9,858 | 8,333 | 6,552 | 7,656 | 3,441 |
| | <u>27,949</u> | <u>35,058</u> | <u>36,216</u> | <u>35,379</u> | <u>30,671</u> |

16. OTHER INTANGIBLE ASSETS

Group

| | <u>Software</u> RMB’000 |
|---|----------------------------|
| 31 December 2019 | |
| At 1 January 2019: | |
| Cost | 1,480 |
| Accumulated amortisation | <u>(1,053)</u> |
| Net carrying amount | <u>427</u> |
| Cost at 1 January 2019, net of accumulated amortisation | 427 |
| Additions | 999 |
| Amortisation during the year | <u>(113)</u> |
| At 31 December 2019 | <u>1,313</u> |
| At 31 December 2019 and at 1 January 2020: | |
| Cost | 2,479 |
| Accumulated amortisation | <u>(1,166)</u> |
| Net carrying amount | <u>1,313</u> |
| Cost at 1 January 2020, net of accumulated amortisation | 1,313 |
| Additions | 2,388 |
| Amortisation during the year | <u>(379)</u> |
| At 31 December 2020 | <u>3,322</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| | <u>Software</u> |
|---|-----------------|
| | <u>RMB’000</u> |
| At 31 December 2020 and at 1 January 2021: | |
| Cost | 4,823 |
| Accumulated amortisation | <u>(1,501)</u> |
| Net carrying amount | <u>3,322</u> |
| Cost at 1 January 2021, net of accumulated amortisation | 3,322 |
| Additions | 59 |
| Amortisation during the year | <u>(386)</u> |
| At 31 December 2021 | <u>2,995</u> |
| At 31 December 2021: | |
| Cost | 4,882 |
| Accumulated amortisation | <u>(1,887)</u> |
| Net carrying amount | <u>2,995</u> |
| At 31 December 2021 and at 1 January 2022: | |
| Cost | 4,882 |
| Accumulated amortisation | <u>(1,887)</u> |
| Net carrying amount | <u>2,995</u> |
| Cost at 1 January 2022, net of accumulated amortisation | 2,995 |
| Amortisation during the period | <u>(197)</u> |
| At 30 June 2022 | <u>2,798</u> |
| At 30 June 2022: | |
| Cost | 4,882 |
| Accumulated amortisation | <u>(2,084)</u> |
| Net carrying amount | <u>2,798</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

17. INVESTMENTS IN ASSOCIATES

| | As at 31 December | | | As at 30 June |
|-------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Share of net assets | 40,974 | 47,264 | 43,429 | 47,262 |
| Goodwill on acquisition | 84,245 | 84,245 | 84,245 | 84,245 |
| Net carrying amount | <u>125,219</u> | <u>131,509</u> | <u>127,674</u> | <u>131,507</u> |

At 30 June 2022, particulars of the Group’s material associate are as follows:

| Name | Place of registration and business | Paid-in capital | Percentage of ownership interest attributable to the Group | Principal activities |
|---|------------------------------------|-----------------|--|------------------------------|
| Tianjin Tianfu Property Management Co., Ltd. (“Tianjin Tianfu”) | Tianjin | RMB6,000,000 | 41* | Property management services |

Tianjin Tianfu, which is considered a material associate of the Group, is engaged in property management services in Tianjin and is accounted for using the equity method.

* On 26 September 2019, the Group entered the Tianjin Tianfu Agreement and another supplemental agreement (the “Supplemental Agreement”) simultaneously after completion of the competitive public bidding process. Pursuant to the Tianjin Tianfu Agreement with the original shareholder, the Group acquired 51% equity interests in Tianjin Tianfu from the original shareholder at an aggregate purchase price of RMB130,149,000. According to the Supplemental Agreement with the original shareholder and Tianjin Tianfu, the Group agreed to transfer 10% of the equity interests out of 51% in Tianjin Tianfu to the then management of Tianjin Tianfu at a cash consideration of RMB5,911,000. Therefore, the Group effectively acquired a 41% equity interest in Tianjin Tianfu. As the then management shared the profit or loss of Tianjin Tianfu upon the completion of the acquisition on 30 November 2019, the control on the 10% interests was effectively transferred to then management immediately before the completion of the acquisition. The share transfer registration process of the 10% shares to then management was eventually completed in December 2020.

APPENDIX I

ACCOUNTANTS’ REPORT

The following table illustrates the summarised financial information in respect of Tianjin Tianfu and reconciled to the carrying amount in the Historical Financial Information:

| | As at 31 December | | | As at 30 June |
|--|-------------------------|-------------------------|-------------------------|---------------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Current assets | 139,535 | 158,097 | 171,361 | 190,548 |
| Non-current assets, excluding goodwill | 116,731 | 101,727 | 89,003 | 81,365 |
| Goodwill on acquisition of the associate | 84,245 | 84,245 | 84,245 | 84,245 |
| Non-current liabilities | (28,266) | (23,454) | (21,881) | (18,055) |
| Current liabilities | (128,566) | (121,092) | (132,559) | (138,584) |
| Net assets | <u>183,679</u> | <u>199,523</u> | <u>190,169</u> | <u>199,519</u> |
| Net assets, excluding goodwill | 99,434 | 115,278 | 105,924 | 115,274 |
| Reconciliation to the Group’s interest in the associate: | | | | |
| Proportion of the Group’s ownership | 41% | 41% | 41% | 41% |
| | 125,013 | 131,509 | 127,674 | 131,507 |
| Group’s share of net assets of the associate, excluding goodwill | 40,768 | 47,264 | 43,429 | 47,262 |
| Goodwill on acquisition | 84,245 | 84,245 | 84,245 | 84,245 |
| Carrying amount of the investment | <u>125,013</u> | <u>131,509</u> | <u>127,674</u> | <u>131,507</u> |
| | | | | Six months |
| | One month ended | Year ended | Year ended | ended |
| | 31 December 2019 | 31 December 2020 | 31 December 2021 | 30 June 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Revenue | 24,076 | 402,327 | 341,264 | 152,123 |
| Depreciation and amortisation | (890) | (9,232) | (9,176) | (9,157) |
| Tax | (170) | (7,524) | (3,963) | (4,761) |
| Profit and total comprehensive income for the period/year after acquisition | 511 | 22,855 | 11,812 | 9,345 |
| Dividend received* | <u>—</u> | <u>2,874</u> | <u>5,757</u> | <u>—</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

- * On 22 May 2020, the board of directors of Tianjin Tianfu approved a dividend distribution of RMB7,010,000 including 41% of total dividends amounting to RMB2,874,000 to the Group. On 24 December 2021, the board of directors of Tianjin Tianfu approved a dividend distribution of RMB21,163,000 including dividends amounting to RMB9,375,000 to the Group.

Impairment testing of investment in associates

The investment in Tianjin Tianfu had indicators of impairment as at 31 December 2021 due to the decrease in operating profit. Management performed an impairment test of this cash generating unit (“CGU”). The recoverable amount of the CGU as at 31 December 2021 has been determined based on fair value less costs of disposals. The fair value is calculated using discounted cash flow projections based on financial budgets covering a five-year period approved by management.

The key assumptions used in estimating the recoverable amount of investment in Tianjin Tianfu as at 31 December 2021 include budgeted sales growth rates, budgeted gross margins and the discount rate.

The budgeted sales growth rates applied to the cash flow projections within five years range from 7% to 8.5% and to extrapolate the cash flows beyond the five-year period is 3%. The above growth rates are determined based on Tianjin Tianfu’s past performance and does not exceed the average long-term growth rate for the relevant industry. The budgeted gross margins applied to the cash flow projections range from 14% to 17%, based on Tianjin Tianfu’s past performance and expected efficiency improvement in the future. The pre-tax discount rate applied to the cash flow projections is 17.5%, reflecting specific risks relating to the CGU.

Based on the results of the impairment testing of the investment in Tianjin Tianfu, the headroom of the recoverable amount of investment in Tianjin Tianfu over its carrying amount was RMB15,609,000 and there was no impairment provided for the investment in Tianjin Tianfu on 31 December 2021.

Sensitivity to changes in assumptions

By applying a certain basis point in absolute value decrease in the budgeted sales growth rate, budgeted gross margin or increase in the discount rate as follows would result in the decrease in the recoverable amount of the cash-generating unit:

| | <u>1% decrease in gross margin</u> | <u>1% increase in discount rate (pre-tax)</u> | <u>1% decrease in sales growth rate</u> |
|--|--|---|---|
| | <u>As at 31 December 2021</u> | <u>As at 31 December 2021</u> | <u>As at 31 December 2021</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| Change in recoverable amount of Tianjin Tianfu | | | |
| Property Management CGU | <u>(12,397)</u> | <u>(11,089)</u> | <u>(4,852)</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

18. DEFERRED TAX

Group

The movements in deferred tax liabilities and assets during the Relevant Periods are as follows:

(a) Deferred tax liabilities

| | Depreciation allowance in excess of related depreciation |
|---|---|
| | RMB’000 |
| At 1 January 2019 | — |
| Deferred tax charged to the statement of profit or loss during the year (note 10) | (69) |
| Deferred tax liabilities at 31 December 2019 | (69) |
| At 1 January 2020 | (69) |
| Deferred tax charged to the statement of profit or loss during the year (note 10) | (60) |
| Deferred tax liabilities at 31 December 2020 | (129) |
| At 1 January 2021 | (129) |
| Deferred tax credited to the statement of profit or loss during the year (note 10) | 89 |
| Deferred tax liabilities at 31 December 2021 | (40) |
| At 1 January 2022 | (40) |
| Deferred tax charged to the statement of profit or loss during the period (note 10) | (20) |
| Deferred tax liabilities at 30 June 2022 | (60) |

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Deferred tax assets

| | <u>Lease liabilities</u> | <u>Accruals</u> | <u>Impairment of financial assets</u> | <u>Losses available for offsetting against future taxable profits</u> | <u>Total</u> |
|--|--------------------------|--------------------------|---------------------------------------|---|---------------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2019 | 47 | 2,651 | 231 | 414 | 3,343 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | <u>95</u> | <u>1,268</u> | <u>56</u> | <u>(242)</u> | <u>1,177</u> |
| Deferred tax assets at 31 December 2019 | <u>142</u> | <u>3,919</u> | <u>287</u> | <u>172</u> | <u>4,520</u> |
| At 1 January 2020 | 142 | 3,919 | 287 | 172 | 4,520 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | <u>121</u> | <u>(508)</u> | <u>(94)</u> | <u>(170)</u> | <u>(651)</u> |
| Deferred tax assets at 31 December 2020 | <u>263</u> | <u>3,411</u> | <u>193</u> | <u>2</u> | <u>3,869</u> |
| At 1 January 2021 | 263 | 3,411 | 193 | 2 | 3,869 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year (note 10) | <u>251</u> | <u>(899)</u> | <u>41</u> | <u>(2)</u> | <u>(609)</u> |
| Deferred tax assets at 31 December 2021 | <u>514</u> | <u>2,512</u> | <u>234</u> | <u>—</u> | <u>3,260</u> |
| | | <u>Lease liabilities</u> | <u>Accruals</u> | <u>Impairment of financial assets</u> | <u>Total</u> |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2022 | | 514 | 2,512 | 234 | 3,260 |
| Deferred tax credited/(charged) to the statement of profit or loss during the period (note 10) | | <u>1,690</u> | <u>556</u> | <u>202</u> | <u>2,448</u> |
| Deferred tax assets at 30 June 2022 | | <u>2,204</u> | <u>3,068</u> | <u>436</u> | <u>5,708</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | As at 31 December | | | As at 30 June |
|--|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Net deferred tax assets recognised in the consolidated statements of financial position | 4,520 | 3,869 | 3,260 | 5,708 |
| Net deferred tax liabilities recognised in the consolidated statements of financial position | (69) | (129) | (40) | (60) |

The aggregate amounts of unrecognised tax losses and deductible temporary differences were RMB2,164,000, RMB2,394,000, RMB1,550,000 and RMB6,393,000 at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively. In respect of the tax losses and deductible temporary differences as they have arisen in certain subsidiaries of the Group that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

Pursuant to the PRC Enterprise Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008, that has not been distributed upon completion of the Reorganisation.

At 31 December 2019, 2020 and 2021 and 30 June 2022, the unremitted earnings were RMB37,624,000, RMB74,306,000, RMB121,451,000 and RMB156,912,000, respectively. These are subject to withholding taxes of the Group’s subsidiaries established in Mainland China. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. So no deferred tax has been recognised for such unremitted earnings.

19. FINANCIAL INVESTMENTS

Group

(a) Equity investments designated at fair value through other comprehensive income

| | As at 31 December | | | As at 30 June |
|--|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Unlisted equity investments, at fair value | | | | |
| Shandong Luxin Pawnshop Co., Ltd. | 4,981 | — | — | — |

APPENDIX I

ACCOUNTANTS’ REPORT

The above equity investment was irrevocably designated at fair value through other comprehensive income as the Group considers this investment to be strategic in nature.

In August 2020, the Group disposed of its equity interests in Shandong Luxin Pawnshop Co., Ltd. as this investment no longer coincided with the Group’s investment strategy. The fair values of this investment on the date of disposal was RMB5,000,000 (the original cost of the investment), and no accumulated gain recognised in other comprehensive income was transferred to retained profits. During the Relevant Periods, no dividend was received by the Group.

(b) Financial assets at fair value through profit or loss

| | As at 31 December | | | As at 30 June |
|--|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Debt investment-Wealth management products | — | — | — | 12,014 |

The wealth management products were issued by banks in Mainland China. They were mandatorily classified as financial assets at fair value through profit or loss as their contractual cash flows are not solely payments of principal and interest.

(c) Financial assets at amortised cost

| | As at 31 December | | | As at 30 June |
|----------------------------|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Wealth management products | — | — | 9,900 | — |

The wealth management products were short-term investments with a maturity of 7 days and with fixed annual interest rates.

APPENDIX I

ACCOUNTANTS’ REPORT

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

Group

| | As at 31 December | | | As at 30 June |
|---------------------------------|-------------------|------------|------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Current | | | | |
| Prepayments to suppliers | 375 | 470 | 2,019 | 2,232 |
| Deposits and other receivables | 16,174 | 11,055 | 11,912 | 13,522 |
| Value added tax recoverable | 23 | 241 | — | — |
| Entrusted loan to a third party | 30,000 | — | — | — |
| Loans to related party | — | 124,840 | — | — |
| Deferred [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Dividends due from an associate | — | — | 3,618 | 3,618 |
| | [REDACTED] | [REDACTED] | [REDACTED] | [REDACTED] |
| Non-current | | | | |
| Prepayments to suppliers | 792 | — | — | — |

As at 31 December 2019, the Group had an entrusted loan of RMB30,000,000 to a third party with an interest rate of 8.33% per annum which was fully collected in January 2020.

At 31 December 2020, the Group had advanced RMB124,840,000 to an entity controlled by Mr. Luan Tao, with interest rates of 7.00%-9.50% and fully collected in March 2021.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

21. BIOLOGICAL ASSETS

Group

The fair value of biological assets was:

| | As at 31 December | | | As at 30 June |
|-------------------|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Biological assets | 3,820 | — | — | — |

The Group’s biological assets were independently valued by a firm of independent professionally qualified valuers not connected with the Group, who have appropriate qualifications and recent experiences in the valuation of biological assets. The fair value less costs to sell of the plants and saplings is determined based on the market-determined prices as at 31 December 2019 adjusted with reference to the species, age, diameter and cost incurred.

APPENDIX I

ACCOUNTANTS’ REPORT

The principal valuation assumptions adopted in measuring the fair value of biological assets are the actual stock on the valuation date and the effective market price in Mainland China.

The valuation of the fair value of biological assets has taken into consideration the transportation costs. The transportation costs for the sales of biological assets are not material in the opinion of the Company’s directors.

22. INVENTORIES

Group

| | As at 31 December | | | As at 30 June |
|-----------------------|-------------------|---------|---------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Low value consumables | 2,480 | 210 | 123 | 149 |

23. TRADE RECEIVABLES

Group

| | As at 31 December | | | As at 30 June |
|-------------------|-------------------|---------------|---------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables | 54,599 | 75,196 | 87,228 | 143,726 |
| Impairment | (1,816) | (1,942) | (2,200) | (3,006) |
| | <u>52,783</u> | <u>73,254</u> | <u>85,028</u> | <u>140,720</u> |

The Group’s trading terms with its customers are mainly on credit. The credit period is generally within 120 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that the Group’s trade receivables relate to a large number of diversified customers, except for the due from certain customers accounts for 10% or more of the Group’s trade receivables, which in total accounted 11%, 25%, nil, and nil as at 31 December 2019, 2020 and 2021, and 30 June 2022, respectively, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

Included in the Group’s trade receivables are amounts due from the Group’s related parties of RMB1,730,000, RMB538,000, RMB94,000 and RMB800,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively, which are repayable on credit terms similar to those offered to the major customers of the Group.

APPENDIX I

ACCOUNTANTS’ REPORT

An aging analysis of the trade receivables at the end of each of the Relevant Periods, based on the invoice date, is as follows:

| | As at 31 December | | | As at 30 June |
|---------------|-------------------|---------------|---------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Within 1 year | 52,715 | 73,159 | 85,122 | 141,734 |
| 1 to 2 years | 310 | 420 | 433 | 482 |
| Over 2 years | 1,574 | 1,617 | 1,673 | 1,510 |
| | <u>54,599</u> | <u>75,196</u> | <u>87,228</u> | <u>143,726</u> |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at 31 December | | | As at 30 June |
|---------------------------------|-------------------|--------------|--------------|---------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| At beginning of year/period | 1,611 | 1,816 | 1,942 | 2,200 |
| Impairment losses, net (note 6) | <u>205</u> | <u>126</u> | <u>258</u> | <u>806</u> |
| At end of year/period | <u>1,816</u> | <u>1,942</u> | <u>2,200</u> | <u>3,006</u> |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses for the third parties. The provision rates are based on the aging on invoices for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the end of each of the Relevant Periods about past events, current conditions and forecasts of future economic conditions.

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

Set out below is the information about the credit risk exposure on the Group’s trade receivables using a provision matrix:

| | As at 31 December 2019 | | |
|---------------|---------------------------|-----------------------|------------------------|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | RMB’000 | RMB’000 |
| Within 1 year | 0.01% | 52,715 | 5 |
| 1 to 2 years | 76.45% | 310 | 237 |
| Over 2 years | 100.00% | 1,574 | 1,574 |
| | | <u>54,599</u> | <u>1,816</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| | As at 31 December 2020 | | |
|---------------|---------------------------|-----------------------|------------------------|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | RMB’000 | RMB’000 |
| Within 1 year | 0.01% | 73,159 | 7 |
| 1 to 2 years | 75.71% | 420 | 318 |
| Over 2 years | 100.00% | 1,617 | 1,617 |
| | | <u>75,196</u> | <u>1,942</u> |

| | As at 31 December 2021 | | |
|---------------|---------------------------|-----------------------|------------------------|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | RMB’000 | RMB’000 |
| Within 1 year | 0.11% | 85,122 | 94 |
| Over 1 year | 100.00% | 2,106 | 2,106 |
| | | <u>87,228</u> | <u>2,200</u> |

| | As at 30 June 2022 | | |
|---------------|---------------------------|-----------------------|------------------------|
| | Expected credit loss rate | Gross carrying amount | Expected credit losses |
| | | RMB’000 | RMB’000 |
| Within 1 year | 0.72% | 141,734 | 1,014 |
| Over 1 year | 100.00% | 1,992 | 1,992 |
| | | <u>143,726</u> | <u>3,006</u> |

24. CONTRACT ASSETS

| | As at 31 December | | | As at |
|-------------------------------|-------------------|----------|--------------|--------------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Contract assets arising from: | | | | |
| Construction services | <u>3,971</u> | <u>—</u> | <u>8,729</u> | <u>8,035</u> |

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and

APPENDIX I

ACCOUNTANTS’ REPORT

acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The Group’s trading terms and credit policy with customers are disclosed in note 23 to the Historical Financial Information.

The financial assets included in the above balances relate to contract assets for which there was no recent history of default and past due amounts. At the end of each of the Relevant Periods, the loss allowance was assessed to be minimal.

The expected timing of recovery or settlement for contract assets is as follows:

| | As at 31 December | | | As at |
|-----------------|-------------------|---------|---------|---------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | | | | RMB’000 |
| Within one year | 3,971 | — | 8,729 | 8,035 |

25. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

Group

| | As at 31 December | | | As at |
|--|-------------------|---------|----------|---------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| | | | | RMB’000 |
| Cash and bank balances | 34,775 | 120,905 | 123,974 | 53,768 |
| Less: | | | | |
| Pledged time deposits for a bank loan: (note 28) | — | — | (10,000) | (4,000) |
| Restricted time deposits | — | (1,582) | (1,894) | (1,245) |
| Cash and cash equivalents | 34,775 | 119,323 | 112,080 | 48,523 |

As at 31 December 2019, 2020 and 2021 and 30 June 2022, the cash and bank balances of the Group denominated in HKD amounted to nil, RMB270,000, RMB1,141,000 and RMB1,195,000 respectively. The RMB is not freely convertible into other currencies, however, under Mainland China’s Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

APPENDIX I

ACCOUNTANTS’ REPORT

26. TRADE PAYABLES

Included in the Group’s trade payables are amounts due to the Group’s related parties of nil, RMB4,200,000, RMB4,200,000 and RMB36,000 as at 31 December 2019, 2020 and 2021 and 30 June 2022, respectively.

An ageing analysis of the trade payables as at the end of each of the Relevant Periods, based on the invoice date, is as follows:

Group

| | As at 31 December | | | As at |
|--------------------|-------------------|---------------|---------------|---------------|
| | 2019 | 2020 | 2021 | 30 June |
| | RMB’000 | RMB’000 | RMB’000 | 2022 |
| Within 3 months | 7,059 | 40,576 | 37,592 | 23,570 |
| 3 to 6 months | 544 | 64 | 91 | 410 |
| 6 months to 1 year | 1,032 | 56 | 107 | 6,138 |
| Over 1 year | 492 | 1,769 | 4,906 | 722 |
| | <u>9,127</u> | <u>42,465</u> | <u>42,696</u> | <u>30,840</u> |

Trade payables are non-interest-bearing and normally settled on terms of less than 90 days.

27. OTHER PAYABLES AND ACCRUALS

Group

| | | As at 31 December | | | As at |
|--|-----|-------------------|----------------|----------------|----------------|
| | | 2019 | 2020 | 2021 | 30 June |
| | | RMB’000 | RMB’000 | RMB’000 | 2022 |
| Current | | | | | |
| Contract liabilities | (a) | 13,270 | 25,761 | 21,968 | 26,543 |
| Deposits | (b) | 17,581 | 17,648 | 11,003 | 11,276 |
| Other loans | (c) | 65,000 | — | — | — |
| Staff payroll and welfare payables | | 46,378 | 52,904 | 54,284 | 52,221 |
| Payables to the then equity holder of subsidiaries | | — | 22,720 | 1,620 | 1,620 |
| Amounts due to Tianjin Tianfu Management | (d) | — | 701 | 701 | — |
| Advance from an associate | | — | — | 3,618 | — |
| Amounts due to a related party | (e) | — | 742 | 505 | 505 |
| Other tax payable | | 4,022 | 8,400 | 6,702 | 5,698 |
| Accrued liabilities | | 197 | 510 | 1,185 | — |
| Receipts on behalf of customers and others | | 1,112 | 1,831 | 5,311 | 8,117 |
| | | <u>147,560</u> | <u>131,217</u> | <u>106,897</u> | <u>105,980</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

- (a) Details of contract liabilities are as follows:

| | <u>As at 31 December</u> | | | <u>As at</u> |
|--|--------------------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>30 June</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>2022</u> |
| | | | | <u>RMB’000</u> |
| <i>Short-term advances received from customers</i> | | | | |
| Property management services | 12,911 | 13,607 | 19,522 | 22,784 |
| Property engineering services | 122 | 11,761 | 1,999 | 2,967 |
| Others | 237 | 393 | 447 | 792 |
| Total contract liabilities | <u>13,270</u> | <u>25,761</u> | <u>21,968</u> | <u>26,543</u> |

Contract liabilities include short-term advances received to render management services, installation and construction. The increase in contract liabilities in 2020 was mainly due to the increase in short-term advances received from customers in relation to the provision of property management services and construction services.

- (b) Deposits mainly represent deposits with customers at the end of each of the Relevant Periods.
- (c) On 10 October 2019, the Group received loans amounting to RMB65,000,000 at interest rates of 0, 2% and 5% per annum for the operating activities from employees of the Group, which included RMB19,980,000 from the key management personnel of the Group. The amount of the interest-free loan was RMB4,700,000. The loan was fully repaid on 9 October 2020.
- (d) On 22 May 2020, the board of directors of Tianjin Tianfu approved the distribution of dividends, of which RMB701,000 was tentatively held by the Company and to be paid to TianJin Tianfu management.
- (e) On 30 June 2020, the Group rented a property from an entity controlled by Mr. Luan Tao with annual rent expense amounting to RMB2,184,000, of which RMB505,000 was not yet paid off on 30 June 2022. The Group terminated part of the lease with annual rent expense amounted to RMB423,000 since July 2021. The Group got rental concession provided by this entity amounting to RMB419,000 (note 15) due to the COVID-19 during the six months ended 30 June 2022.

Except for the aforementioned loan, other payables are unsecured, interest-free and repayable on demand.

Company

| | <u>As at 31 December</u> | | | <u>As at</u> |
|---------------------|--------------------------|----------------|----------------|----------------|
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>30 June</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | <u>2022</u> |
| | | | | <u>RMB’000</u> |
| Due to a subsidiary | <u>—</u> | <u>4,729</u> | <u>16,182</u> | <u>19,522</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

28. INTEREST-BEARING BANK AND OTHER BORROWINGS

Group

| | As at 31 December | | | | | |
|---|-----------------------------|----------|---------------|-----------------------------|----------|----------------|
| | 2019 | | | 2020 | | |
| | Effective interest rate (%) | Maturity | RMB’000 | Effective interest rate (%) | Maturity | RMB’000 |
| Current | | | | | | |
| Bank loans—unsecured | 5.4-5.7 | 2020 | 40,000 | — | — | — |
| Bank loans—guaranteed | 5.7 | 2020 | 10,000 | 5.4-6.0 | 2021 | 109,950 |
| Other loans—secured | — | — | — | 7.0 | 2021 | 21,000 |
| Current portion of long-term bank loans—guaranteed* | — | — | — | 4.65 | 2021 | 11,100 |
| | | | <u>50,000</u> | | | <u>142,050</u> |

Non-current

| | | | | | | |
|------------------------|--|--|---------------|------|-----------|----------------|
| Bank loans—guaranteed* | | | — | 4.65 | 2022-2027 | 66,860 |
| | | | <u>50,000</u> | | | <u>208,910</u> |

| | As at 31 December | | | As at 30 June | | |
|--|-----------------------------|-----------|---------------|-----------------------------|----------|---------------|
| | 2021 | | | 2022 | | |
| | Effective interest rate (%) | Maturity | RMB’000 | Effective interest rate (%) | Maturity | RMB’000 |
| Current | | | | | | |
| Bank loans—secured and guaranteed | 5.655-5.67 | 2022 | 30,000 | — | — | — |
| Bank loans—guaranteed | — | — | — | 5.60 | 2023 | 10,000 |
| Current portion of long-term Bank loans—guaranteed | 4.65 | 2022 | 11,140 | 4.65 | 2023 | 11,140 |
| | | | <u>41,140</u> | | | <u>21,140</u> |
| Non-current | | | | | | |
| Bank loans—secured and guaranteed | — | — | — | 5.67 | 2024 | 20,000 |
| Bank loans—guaranteed* | 4.65 | 2023-2027 | 55,680 | 4.65 | 2027 | 44,580 |
| | | | <u>96,820</u> | | | <u>85,720</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| | As at 31 December | | | As at 30 |
|--|-------------------|----------------|---------------|---------------|
| | 2019 | 2020 | 2021 | June |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Analysed into: | | | | |
| Bank loans repayable: | | | | |
| Within one year | 50,000 | 121,050 | 41,140 | 21,140 |
| In the second year | — | 11,180 | 11,140 | 31,140 |
| In the third to fifth years, inclusive | — | 33,430 | 33,440 | 33,440 |
| Beyond five years | — | 22,250 | 11,100 | — |
| | <u>50,000</u> | <u>187,910</u> | <u>96,820</u> | <u>85,720</u> |
| Other loans repayable: | | | | |
| Within one year | — | 21,000 | — | — |
| | <u>50,000</u> | <u>208,910</u> | <u>96,820</u> | <u>85,720</u> |

As at 31 December 2019:

Certain of the Group’s bank loans amounting to RMB10,000,000 were guaranteed by Mr. Luan Tao and entities controlled by Mr. Luan Tao.

As at 31 December 2020:

Certain of the Group’s bank loans were guaranteed by related parties as follows:

- (a) The Group’s bank loans amounting to RMB79,950,000 were guaranteed by Mr. Luan Tao and entities controlled by Mr. Luan Tao, and were due within one year with an interest rate between 5.4% and 6%.
- (b) The Group’s bank loans amounting to RMB30,000,000 were guaranteed by an entity controlled by Mr. Luan Tao, secured with the buildings owned by the Group, and were due within one year with an interest rate of 5.655%.
- (c) The Group’s bank loan amounting to RMB77,960,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to seven years, and beared interest at floating rates of Loan Prime Rate (“LPR”).

Other borrowings amounting to RMB21,000,000 were secured by certain of the Group’s trade receivables amounting to RMB44,038,000 (note 23).

As at 31 December 2021:

Certain of the Group’s bank loans amounting to RMB10,000,000 was guaranteed by certain subsidiary of the Group and secured with RMB10,000,000 certificates of deposit owned by the Group. The loan was due within one year with an interest rate of 5.67%.

APPENDIX I

ACCOUNTANTS’ REPORT

Certain of the Group’s bank loans were guaranteed by related parties as follows:

- (a) The Group’s bank loan amounting to RMB20,000,000 was guaranteed by the entities controlled by Mr. Luan Tao, secured with the buildings owned by the Group, and was due within one year with an interest rate of 5.655%.
- (b) The Group’s bank loan amounting to RMB66,820,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to six years, and bore interest at floating rates of LPR.

As at 30 June 2022:

Certain of the Group’s bank loans amounting to RMB20,000,000 was guaranteed by certain subsidiary of the Group and secured with RMB4,000,000 certificates of deposit owned by the Group. The loan was due within two years with an interest rate of 5.67%.

Certain of the Group’s bank loan amounting to RMB10,000,000 was guaranteed by certain subsidiary of the Group, and was due within one year with an interest rate of 5.60%.

Certain of the Group’s bank loan amounting to RMB55,720,000 was guaranteed by the entities controlled by Mr. Luan Tao, which was due in one to five years, and bore interest at floating rates of LPR.

29. SHARE CAPITAL

| Shares | As at 31 December | | As at 30 |
|--|-------------------|-------------|-------------|
| | 2020 | 2021 | June |
| | RMB’000 | RMB’000 | RMB’000 |
| Authorised (number of shares) | | | |
| Ordinary shares of USD0.0001 | 500,000,000 | 500,000,000 | 500,000,000 |
| Issued but not paid (number of shares) | | | |
| Ordinary shares of USD0.0001 | 202,000,000 | 200,000,000 | 200,000,000 |
| Issued and paid (number of shares) | | | |
| Ordinary shares of USD0.0001 | — | 2,000,000 | 2,000,000 |

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which has 2,000,000 ordinary shares, injected HKD2,440,000 (RMB 2,028,000) to the Company. After the injection, the Company had 2,000,000 ordinary shares issued and paid, and 200,000,000 ordinary shares issued but not paid, and RMB 1,000 share capital and RMB2,027,000 share premium.

APPENDIX I

ACCOUNTANTS’ REPORT

A summary of movements in the Company’s share capital is as follows:

| | <u>Number of shares in issue</u> | <u>Paid-in capital</u> RMB’000 |
|--|--------------------------------------|---------------------------------------|
| As at 30 June 2020 (Issuance of ordinary shares upon incorporation of the Company) | 200,000,000 | — |
| Issuance of new shares | <u>2,000,000</u> | <u>—</u> |
| As at 31 December 2020 | 202,000,000 | — |
| Contribution from a shareholder | <u>—</u> | <u>1</u> |
| As at 31 December 2021 and 30 June 2022 | <u>202,000,000</u> | <u>1</u> |

On 30 June 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with authorised share capital of USD50,000 shares of USD0.0001 at par value each. As of the date of incorporation, 202,000,000 ordinary shares were issued at par of USD0.0001 per share.

30. SHARE INCENTIVE SCHEMES

In January 2016, 11 employees (including directors) of the Group entered into an agreement (the “Jinan Anlin Agreement”) to set up an investment vehicle to invest in the then holding company. 1,800,000 shares of the then holding company (the “2016 Share Incentive Scheme”) were granted to these 11 employees (including directors) of the Group, among which the vesting period of 360,000 shares fell from January 2016 to January 2020, the vesting period of 360,000 shares fell from January 2016 to January 2021, the vesting period of 360,000 shares fell from January 2016 to January 2022, the vesting period of 360,000 shares fell from January 2016 to January 2023 and the vesting period of 360,000 shares fell from January 2016 to January 2024. These incentives were rewarded to eligible participants who contribute to the success of the Group’s operations.

In March 2017, 3 employees (including directors) of the Group entered into an agreement (the “Jinan Luting Agreement”) to set up an investment vehicle to invest in the then holding company. 1,100,100 shares of the then holding company (the “2017 Share Incentive Scheme”) were granted to these 3 employees (including directors) of the Group, among which the vesting period of 220,020 shares fell from March 2017 to March 2021, the vesting period of 220,020 shares fell from March 2017 to March 2022, the vesting period of 220,020 shares fell from March 2017 to March 2023, the vesting period of 220,020 shares fell from March 2017 to March 2024 and the vesting period of 220,020 shares fell from March 2017 to March 2025. These incentives were rewarded to eligible participants who contribute to the success of the Group’s operations.

In March 2020, 1,502,250 shares of the then holding company (the “2020 Share Incentive Scheme”) were granted to a total of 17 employees (including directors) of the Group, among which the vesting period of 300,450 shares fell from March 2020 to March 2024, the vesting period of 300,450 shares fell from March 2020 to March 2025, the vesting period of 300,450 shares fell from March 2020 to March 2026, the vesting period of 300,450 shares fell from March 2020 to March 2027, and the vesting period of 300,450 shares fell from March 2020 to March 2028. These incentives were rewarded to eligible participants who contribute to the success of the Group’s operations.

APPENDIX I

ACCOUNTANTS’ REPORT

As part of the Reorganisation, the Company was incorporated in the Cayman Islands on 30 June 2020. The Company subsequently became the holding company of the Group. In connection with the above restructuring, the Company replaced the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme with the new share incentive scheme (the “Replaced Incentive Scheme”), which was approved by a board resolution of the Company on 30 June 2020.

Except for the change of shares from the then holding company to the Company and the share split on the Reorganisation, the Replaced Incentive Scheme was exactly same as the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme and was treated as a replacement, there was no incremental fair value of shares granted arising from the replacement. The number of shares granted increased as one share was split into four shares upon the Reorganisation and the exercise prices were changed to reflect the share split accordingly.

Shares confer dividend rights and voting rights.

| | 2019 | | 2020 | | 2021 | |
|-------------------------------|---|------------------|---|-------------------|---|-------------------|
| | Weighted average subscription price RMB per share | Number of shares | Weighted average subscription price RMB per share | Number of shares | Weighted average subscription price RMB per share | Number of shares |
| At 1 January | 2.40 | 2,900,100 | 2.40 | 2,792,100 | 0.60 | 15,177,000 |
| Granted during the year | — | — | 2.20 | 1,502,250 | — | — |
| Forfeited during the year | — | (108,000) | 2.40 | (500,100) | — | — |
| Share split on reorganisation | — | — | — | 11,382,750 | — | — |
| At 31 December | 2.40 | <u>2,792,100</u> | 0.60 | <u>15,177,000</u> | 0.60 | <u>15,177,000</u> |

| | 2022 | |
|-------------------------------|---|-------------------|
| | Weighted average subscription price RMB per share | Number of shares |
| At 1 January | 0.60 | 15,177,000 |
| Granted during the period | — | — |
| Forfeited during the period | — | — |
| Share split on reorganisation | — | — |
| At 30 June | 0.60 | <u>15,177,000</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

The fair value of the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme was RMB6,660,000, RMB9,600,000 and RMB32,022,000, respectively, as at the grant date. The Group recognised share-based payments expenses of RMB790,000, RMB1,382,000, RMB1,877,000, RMB872,000 and RMB1,002,000 during the Relevant Periods and the six months ended 30 June 2021, respectively.

The fair value of equity-settled share schemes granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the schemes were granted. The following table lists the inputs to the model used:

| | <u>January 2016</u> | <u>March 2017</u> | <u>March 2020</u> |
|------------------------------------|---------------------|-------------------|-------------------|
| Weighted average cost of capital | 15% | 14% | 14% |
| Discount for lack of marketability | 35% | 30% | 20% |

31. RESERVES

Group

The amounts of the Group’s reserves and the movements therein are presented in the consolidated statements of changes in equity in the Historical Financial Information.

(i) Statutory reserve

In accordance with the Company Law of the People’s Republic of China, the companies in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies’ registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the subsidiaries. The addition during the Relevant Periods represents the injections of RMB1,100,000 of additional paid-in capital by the then equity holder of the subsidiaries to the respective companies; the deduction during the Relevant Periods represents considerations of RMB3,949,000 paid to a company controlled by Mr. Luan Tao for the acquisition of equity interests in Shandong Kaidi Network Information Technology Co., Ltd. (“Shandong Kaidi”) and of RMB21,100,000 for the acquisition interest from the then shareholders in the process of the Reorganisation.

The acquisition of Shandong Kaidi which was completed on 30 June 2020 was accounted for as a business combination under common control using the principle of merger accounting. The consolidated statements of profit or loss and statements of comprehensive income, statement of changes in equity and statements of cash flows of the Group for the years ended 31 December, 2019, 2020 and 2021, and the

APPENDIX I

ACCOUNTANTS’ REPORT

six months ended 30 June 2021 and 2022, respectively, include the results and cash flows of Shandong Kaidi now comprising the Group from the earliest date presented or since the date when the businesses first came under the common control of Mr. Luan Tao, where this is a shorter period. The consolidated statements of financial position of the Group as of the end of each of the Relevant Period, respectively, have been prepared to present the assets and liabilities of the subsidiary’s businesses using the existing book values from Mr. Luan Tao’s perspective. No adjustments are made to reflect fair values or recognise any new assets or liabilities as a result of the business combination under common control.

(iii) Shares held for a share incentive scheme

One employee resigned in 2020, and Mr. Luan Hangqian purchased the employee’s shares on behalf of the Company and reserved them for future incentive schemes.

(iv) Share premium reserve

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which has 2,000,000 ordinary shares, injected HKD 2,440,000 (RMB 2,028,000) to the Company. After the injection, the Company has 200,000,000 ordinary shares issued but not paid, and RMB 1,000 share capital and RMB2,027,000 share premium.

(v) Others

The Group obtained rental concession granted by an entity controlled by Mr. Luan Tao amounting to RMB419,000 (note 15) due to the COVID-19 during the six months ended 30 June 2022.

Company

2020

| | Accumulated losses |
|--|-------------------------------|
| | RMB’000 |
| As at 30 June 2020 (date of incorporation) | — |
| Loss and total comprehensive loss for the year | <u>(3,557)</u> |
| As at 31 December 2020 | <u><u>(3,557)</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

2021

| | <u>Share premium</u> | <u>Accumulated losses</u> | <u>Total reserves/ (deficits)</u> |
|--|--------------------------|-------------------------------|---|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| As at 1 January 2021 | — | (3,557) | (3,557) |
| Loss and total comprehensive loss for the year | — | (8,830) | (8,830) |
| Capital contribution by a shareholder | <u>2,027</u> | <u>—</u> | <u>2,027</u> |
| As at 31 December 2021 | <u>2,027</u> | <u>(12,387)</u> | <u>(10,360)</u> |

2022

| | <u>Share Premium</u> | <u>Accumulated losses</u> | <u>Total reserves/ (deficits)</u> |
|--|--------------------------|-------------------------------|---|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| As at 1 January 2022 | 2,027 | (12,387) | (10,360) |
| Loss and total comprehensive loss for the period | <u>—</u> | <u>(2,526)</u> | <u>(2,526)</u> |
| As at 30 June 2022 | <u>2,027</u> | <u>(14,913)</u> | <u>(12,886)</u> |

32. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to investment properties of RMB2,567,000, RMB15,511,000, RMB26,666,000 and RMB46,218,000 during the Relevant Periods, in respect of lease arrangements.

The Group had non-cash additions to right-of-use assets and lease liabilities of nil, nil, RMB5,005,000 and nil during the Relevant Periods in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

Year ended 31 December 2019

| | <u>Bank and other loans</u> | <u>Lease liabilities</u> | <u>Other payables</u> |
|-----------------------------------|---------------------------------|------------------------------|---------------------------|
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> |
| At 1 January 2019 | 19,000 | 18,992 | — |
| Changes from financing cash flows | 31,000 | (734) | 65,000 |
| Interest expense (note 7) | <u>—</u> | <u>2,567</u> | <u>—</u> |
| At 31 December 2019 | <u>50,000</u> | <u>20,825</u> | <u>65,000</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

Year ended 31 December 2020

| | Bank and other loans | Lease liabilities | Other payables |
|--|---------------------------------|------------------------------|-----------------------|
| | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2020 | 50,000 | 20,825 | 65,000 |
| Changes from financing cash flows | 158,910 | (2,407) | (43,900) |
| New leases | — | 15,511 | — |
| COVID-19-related rent concessions from lessors | — | (1,834) | — |
| Interest expense (note 7) | — | (742) | — |
| At 31 December 2020 | <u>208,910</u> | <u>31,353</u> | <u>21,100</u> |

Year ended 31 December 2021

| | Bank and other loans | Lease liabilities | Other payables |
|---|---------------------------------|------------------------------|---------------------------|
| | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2021 | 208,910 | 31,353 | 21,100 |
| Changes from financing cash flows | (112,090) | (7,494) | (21,100) |
| New leases | — | 31,671 | — |
| Termination of lease contract as lessee | — | (2,733) | — |
| Interest expense (note 7) | — | 1,559 | — |
| At 31 December 2021 | <u>96,820</u> | <u>54,356</u> | <u>—</u> |

Six months ended 30 June 2022

| | Bank and other loans | Lease liabilities | Other payables |
|---|---------------------------------|------------------------------|---------------------------|
| | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2022 | 96,820 | 54,356 | — |
| Changes from financing cash flows | (11,100) | (6,190) | — |
| COVID-19-related rent concessions from lessors | — | (419) | — |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | — | 46,218 | — |
| Interest expense (note 7) | — | 1,705 | — |
| At 30 June 2022 | <u>85,720</u> | <u>95,670</u> | <u>—</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

33. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the Historical Financial Information, the Group had the following material transactions with related parties during the Relevant Periods and the six months ended 30 June 2021:

(a) Definition of related parties

Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Shandong Runhua Property Management Co., Ltd. before entering into the agreement, and agreed to continue the same going forward. Mr. Luan Hangqian and Ms. Liang will be subject to Mr. Luan Tao’s decision when there is divergence.

| | |
|-------------------|---|
| Mr. Luan Tao | The controlling shareholder |
| Ms. Liang Yuefeng | The wife of the controlling shareholder |
| Mr. Luan Hangqian | The son of the controlling shareholder |

(b) Transactions with related parties:

| | Notes | Year ended 31 December | | | For the six months ended 30 June | |
|---|-------|------------------------|---------------|---------------|----------------------------------|---------------|
| | | 2019 | 2020 | 2021 | 2021 | 2022 |
| | | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Services rendered to related parties | | | | | | |
| <u>Entities controlled by Mr. Luan Tao:</u> | | | | | | |
| Providing leasing services | (i) | 1,249 | 1,036 | 235 | 120 | 86 |
| Providing property engineering services and landscape construction services | (i) | 225 | 1,061 | 902 | 267 | 500 |
| Providing property management | (i) | 17,481 | 23,124 | 25,308 | 10,541 | 13,216 |
| Others | (i) | 5,756 | 160 | 1,832 | 453 | — |
| <u>Entities controlled by Mr. Luan Hangqian:</u> | | | | | | |
| Providing property engineering services and landscape construction services | (i) | 11,608 | 54,707 | 35,346 | 3,083 | 3,542 |
| Providing property management | (i) | 8,620 | 8,964 | 6,969 | 1,997 | 2,462 |
| Others | (i) | 42 | 10 | — | — | — |
| <u>Entities controlled by Mr. Luan Tao and Mr. Luan Hangqian:</u> | | | | | | |
| Providing property management | (i) | 209 | 105 | 181 | 92 | 82 |
| Others | (i) | 164 | — | — | — | — |
| <u>Entities controlled by Ms. Liang Yuefeng:</u> | | | | | | |
| Providing property engineering services and landscape construction services | (i) | — | 6,751 | 2,628 | 127 | — |
| <u>Tianjin Tianfu:</u> | | | | | | |
| Others | (i) | — | — | — | — | 88 |
| | | <u>45,354</u> | <u>95,918</u> | <u>73,401</u> | <u>16,680</u> | <u>19,975</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

| Notes | Year ended 31 December | | | For the six months ended 30 June | | |
|--|------------------------|---------------|----------------|----------------------------------|--------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | |
| | | | | (Unaudited) | | |
| Purchases from related parties | | | | | | |
| <u>Entities controlled by Mr. Luan Tao:</u> | | | | | | |
| Receiving leasing services | (i) | 105 | 1,197 | 1,926 | 1,117 | 1,001 |
| Purchase of fixed assets | (i) | — | 430 | — | — | — |
| Receiving consulting services | (i) | — | 121 | 16 | 16 | 114 |
| <u>Entities controlled by Ms. Liang Yuefeng:</u> | | | | | | |
| Receiving labour services | (i) | — | 4,200 | — | — | — |
| Receiving leasing services | (i) | — | 500 | 430 | 50 | 228 |
| <u>Entities controlled by Mr. Luang Hangqian:</u> | | | | | | |
| Receiving construction services | (i) | — | — | — | — | 13 |
| Purchase of fixed assets | (i) | 2,194 | — | — | — | — |
| Receiving leasing services | (i) | 58 | — | — | — | — |
| | | <u>2,357</u> | <u>6,448</u> | <u>2,372</u> | <u>1,183</u> | <u>1,356</u> |
| Interest expense for loans from related parties | | | | | | |
| Key management personnel of the Group | (ii) | 119 | 651 | — | — | — |
| Interest income from loans to related parties | | | | | | |
| Entities controlled by Mr. Luan Tao | | — | 5,656 | 2,089 | 2,089 | — |
| Loans from related parties | | | | | | |
| Key management personnel of the Group | (ii) | <u>19,980</u> | <u>—</u> | <u>—</u> | <u>—</u> | <u>—</u> |
| Acquisition from related parties | | | | | | |
| Acquisitions of interest from an entity controlled by Mr. Luan Tao | | — | 3,949 | — | — | — |
| Acquisitions of interest from the then shareholders | | — | 21,100 | — | — | — |
| Trademark licensing expense | | | | | | |
| Entity controlled by Mr. Luan Tao | (iii) | — | — | — | — | — |
| Loans to a related party | | | | | | |
| Entity controlled by Mr. Luan Tao | | <u>—</u> | <u>124,840</u> | <u>—</u> | <u>—</u> | <u>—</u> |

Notes:

- (i) Except for the COVID-19 rent concessions of RMB419,000 provided by an entity controlled by Mr. Luan Tao, which is mutually agreed by both parties by reference to certain published guidance, the prices for the above service fees and other transactions were determined in accordance with similar terms offered to third party customers.
- (ii) The loans were from the staff who were listed in “Directors and Senior Management” in the document.
- (iii) During the Relevant Periods and the six months ended 30 June 2021, an entity controlled by Mr. Luan Tao granted the Group a licence to use certain trademarks owned by the entity (the “Licensed Trademarks”) in the PRC on a royalty-free basis. The Group entered into a three-year trademark licensing agreement with the entity in 2021 on a royalty-free basis.

APPENDIX I

ACCOUNTANTS’ REPORT

(c) *Compensation of key management personnel of the Group*

Compensation for key management other than those for directors as disclosed in note 8 is set out below:

| | Year ended 31 December | | | For the six months ended 30 June | |
|---|------------------------|--------------|--------------|----------------------------------|--------------|
| | 2019 | 2020 | 2021 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| | | | | (Unaudited) | |
| Salaries, allowances and benefits in kind | 1,462 | 2,076 | 2,603 | 1,291 | 1,287 |
| Pension scheme contributions | 163 | 133 | 216 | 99 | 117 |
| Equity-settled share award expenses | 82 | 287 | 336 | 168 | 158 |
| Performance related bonuses | — | 1,796 | 290 | — | — |
| | 1,707 | 4,292 | 3,445 | 1,558 | 1,562 |

(d) *Outstanding balances of related parties*

Details of the Group’s loan to a related party, trade receivables, loans from related parties and amounts due to a related party as at the end of each of the Relevant Periods are included in notes 20, 23, 26 and 27 to the Historical Financial Information.

APPENDIX I

ACCOUNTANTS’ REPORT

34. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the Relevant Periods are as follows:

31 December 2019

| Financial assets | Financial assets at amortised cost | Financial assets at fair value through other comprehensive income | Equity investments | Total |
|--|---|--|---------------------------|--|
| | RMB’000 | | RMB’000 | RMB’000 |
| Equity investments at fair value through other comprehensive income | — | | 4,981 | 4,981 |
| Trade receivables | 52,783 | | — | 52,783 |
| Financial assets included in prepayments, other receivables and other assets | 46,174 | | — | 46,174 |
| Cash and cash equivalents | 34,775 | | — | 34,775 |
| | 133,732 | | 4,981 | 138,713 |
| | | | | Financial liabilities at amortised cost |
| | | | | RMB’000 |
| Trade payables | | | | 9,127 |
| Financial liabilities included in other payables and accruals | | | | 82,581 |
| Interest-bearing bank and other borrowings | | | | 50,000 |
| | | | | 141,708 |

APPENDIX I

ACCOUNTANTS’ REPORT

31 December 2020

| Financial assets | Financial assets at amortised cost |
|--|--|
| | RMB’000 |
| Trade receivables | 73,254 |
| Financial assets included in prepayments, other receivables and other assets | 135,895 |
| Restricted deposits | 1,582 |
| Cash and cash equivalents | <u>119,323</u> |
| | <u>330,054</u> |
| | |
| Financial liabilities | Financial liabilities at amortised cost |
| | RMB’000 |
| Trade payables | 42,465 |
| Financial liabilities included in other payables and accruals | 41,811 |
| Interest-bearing bank and other borrowings | <u>208,910</u> |
| | <u>293,186</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

31 December 2021

| Financial assets | Financial assets at amortised cost |
|--|--|
| | RMB’000 |
| Trade receivables | 85,028 |
| Financial assets included in prepayments, other receivables and other assets | 15,530 |
| Financial assets at amortised cost | 9,900 |
| Restricted deposits | 11,894 |
| Cash and cash equivalents | 112,080 |
| | <u>234,432</u> |
| | |
| Financial liabilities | Financial liabilities at amortised cost |
| | RMB’000 |
| Trade payables | 42,696 |
| Financial liabilities included in other payables and accruals | 17,445 |
| Interest-bearing bank and other borrowings | 96,820 |
| | <u>156,961</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

30 June 2022

| Financial assets | Financial assets at amortised cost | Financial assets at fair value through profit or loss | Total |
|--|---|--|--|
| | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables | 140,720 | — | 140,720 |
| Financial assets included in prepayments, other receivables and other assets | 17,140 | — | 17,140 |
| Financial assets at fair value through profit or loss | — | 12,014 | 12,014 |
| Restricted deposits | 5,245 | — | 5,245 |
| Cash and cash equivalents | 48,523 | — | 48,523 |
| | 211,628 | 12,014 | 223,642 |
| | | | Financial liabilities at amortised cost |
| | | | RMB’000 |
| Trade payables | | | 30,840 |
| Financial liabilities included in other payables and accruals | | | 13,401 |
| Interest-bearing bank and other borrowings | | | 85,720 |
| | | | 129,961 |

APPENDIX I

ACCOUNTANTS’ REPORT

35. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

The carrying amounts and fair values of the Group’s financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

| | <u>Carrying amounts</u> | | | <u>As at 30 June</u> | |
|--|--------------------------|----------------|----------------|----------------------|----------------|
| | <u>As at 31 December</u> | | | | |
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | | <u>2022</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | | <u>RMB’000</u> |
| Financial assets | | | | | |
| Equity investments designated at fair value through other comprehensive income | 4,981 | — | — | — | |
| Financial assets at fair value through profit or loss | — | — | — | 12,014 | |
| | <u>4,981</u> | <u>—</u> | <u>—</u> | <u>12,014</u> | |
| Fair values | | | | | |
| | <u>As at 31 December</u> | | | <u>As at 30 June</u> | |
| | <u>2019</u> | <u>2020</u> | <u>2021</u> | | <u>2022</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | | <u>RMB’000</u> |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | | <u>RMB’000</u> |
| Financial assets | | | | | |
| Equity investments designated at fair value through other comprehensive income | 4,981 | — | — | — | |
| Financial assets at fair value through profit or loss | — | — | — | 12,014 | |
| | <u>4,981</u> | <u>—</u> | <u>—</u> | <u>12,014</u> | |

Management has assessed that the fair values of cash and cash equivalents, trade receivables, financial assets included in prepayments, other receivables and other assets, short-term interest-bearing bank and other borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments. Management has assessed that the fair values of long-term bank and other borrowings bearing interest at floating rates approximate to their carrying amounts, as the carrying amounts are discounted using the relevant effective interest rates floated yearly which approximated to the prevailing borrowing rates.

The Group’s corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

APPENDIX I

ACCOUNTANTS’ REPORT

For the fair value of the non-listed equity investments that measures at fair value through other comprehensive income, management has estimated the potential effect of using reasonably possible alternatives as inputs to the valuation model.

Set out below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at the end of each of the Relevant Periods:

| | <u>Valuation technique</u> | <u>Significant unobservable input</u> | <u>Range</u> | <u>Sensitivity of fair value to the input</u> |
|-------------------------------|----------------------------|---------------------------------------|------------------------|--|
| Non-listed equity investments | Valuation multiples | Average price to book multiple | 2019: 1.3 2020: 1.4 | The higher the multiple, the higher the fair value |

For the fair value of financial assets at fair value through profit or loss, management has calculated the fair value by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities.

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group’s financial instruments:

Assets measured at fair value

| | <u>Fair value measurement using</u> | | | <u>Total</u> |
|---|--|--------------------------------------|--|--------------|
| | <u>Quoted prices in active markets</u> | <u>Significant observable inputs</u> | <u>Significant unobservable inputs</u> | |
| | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | |
| As at 31 December 2019 | | | | |
| Equity investments at fair value through other comprehensive income | — | — | 4,981 | 4,981 |

Financial assets at fair value through profit or loss

| | <u>Fair value measurement using</u> | | | <u>Total</u> |
|---|--|--------------------------------------|--|--------------|
| | <u>Quoted prices in active markets</u> | <u>Significant observable inputs</u> | <u>Significant unobservable inputs</u> | |
| | <u>(Level 1)</u> | <u>(Level 2)</u> | <u>(Level 3)</u> | |
| | <u>RMB’000</u> | <u>RMB’000</u> | <u>RMB’000</u> | |
| As at 30 June 2022 | | | | |
| Financial assets at fair value through profit or loss | — | 12,014 | — | 12,014 |

APPENDIX I

ACCOUNTANTS’ REPORT

During the Relevant Periods, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities.

The movements in fair value measurements within Level 3 are as follows:

| | <u>2019</u> | <u>2020</u> |
|---|----------------|----------------|
| | <u>RMB’000</u> | <u>RMB’000</u> |
| Equity investments at fair value through other comprehensive income | | |
| As at 1 January | 4,826 | 4,981 |
| Total gains recognised in other comprehensive income | 155 | 19 |
| Disposals | <u>—</u> | <u>(5,000)</u> |
| As at 31 December | <u>4,981</u> | <u>—</u> |

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group’s principal financial instruments comprise lease liabilities, interest-bearing bank and other borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group’s operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group’s financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group’s policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group’s exposure to bad debts is not significant.

APPENDIX I

ACCOUNTANTS’ REPORT

Maximum exposure to credit risk at the end of each of the Relevant Periods

The table below shows the credit quality and the maximum exposure to credit risk based on the Group’s credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at the end of the Relevant Periods. The amounts presented are gross carrying amounts for financial assets.

| 31 December 2019 | 12-month ECLs | | Lifetime ECLs | | |
|--|----------------|----------|---------------|---------------------|----------------|
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Contract assets* | — | — | — | 3,971 | 3,971 |
| Trade receivables* | — | — | — | 52,783 | 52,783 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| —Normal** | 46,174 | — | — | — | 46,174 |
| Cash and cash equivalents—Not yet past due | 34,775 | — | — | — | 34,775 |
| | 80,949 | — | — | 56,754 | 137,703 |
| | | | | | |
| 31 December 2020 | 12-month ECLs | | Lifetime ECLs | | |
| | Stage 1 | Stage 2 | Stage 3 | Simplified approach | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Trade receivables* | — | — | — | 73,254 | 73,254 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| —Normal** | 135,895 | — | — | — | 135,895 |
| Restricted deposits | 1,582 | — | — | — | 1,582 |
| Cash and cash equivalents—Not yet past due | 119,323 | — | — | — | 119,323 |
| | 256,800 | — | — | 73,254 | 330,054 |

APPENDIX I

ACCOUNTANTS’ REPORT

| 31 December 2021 | 12-month | | Lifetime ECLs | | | Total |
|---|----------------|----------|---------------|----------------|----------------|-------|
| | ECLs | | Simplified | | | |
| | Stage 1 | Stage 2 | Stage 3 | approach | | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | |
| Contract assets* | — | — | — | 8,729 | 8,729 | |
| Trade receivables* | — | — | — | 85,028 | 85,028 | |
| Financial assets included in prepayments, other receivables and other assets | | | | | | |
| —Normal** | 15,530 | — | — | — | 15,530 | |
| Financial assets at amortised cost | 9,900 | — | — | — | 9,900 | |
| Restricted deposits | 11,894 | — | — | — | 11,894 | |
| Cash and cash equivalents—Not yet past due | 112,080 | — | — | — | 112,080 | |
| | 149,404 | — | — | 93,757 | 243,161 | |
| | | | | | | |
| 30 June 2022 | 12-month | | Lifetime ECLs | | | Total |
| | ECLs | | Simplified | | | |
| | Stage 1 | Stage 2 | Stage 3 | approach | | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | |
| Contract assets* | — | — | — | 8,035 | 8,035 | |
| Trade receivables* | — | — | — | 140,720 | 140,720 | |
| Financial assets included in prepayments, other receivables and other assets | | | | | | |
| —Normal** | 17,140 | — | — | — | 17,140 | |
| Restricted deposits | 5,245 | — | — | — | 5,245 | |
| Cash and cash equivalents—Not yet past due | 48,523 | — | — | — | 48,523 | |
| | 70,908 | — | — | 148,755 | 219,663 | |

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 23 and 24 to the Historical Financial Information.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be “normal” when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be “doubtful”.

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

APPENDIX I

ACCOUNTANTS’ REPORT

The maturity profile of the Group’s financial liabilities as at the end of the Relevant Periods, based on the contractual undiscounted payments, is as follows:

| 31 December 2019 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
|---|-----------------------------|-------------------------|-------------------------|----------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest-bearing bank and other borrowings | 51,650 | — | — | 51,650 |
| Trade payables | 9,127 | — | — | 9,127 |
| Financial liabilities included in other payables and accruals | 82,581 | — | — | 82,581 |
| Lease liabilities | 4,468 | 22,153 | 18,693 | 45,314 |
| | 147,826 | 22,153 | 18,693 | 188,672 |
| 31 December 2020 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest-bearing bank and other borrowings | 142,090 | 52,858 | 23,285 | 218,233 |
| Trade payables | 42,465 | — | — | 42,465 |
| Financial liabilities included in other payables and accruals | 41,811 | — | — | 41,811 |
| Lease liabilities | 5,478 | 22,321 | 13,048 | 40,847 |
| | 231,844 | 75,179 | 36,333 | 343,356 |
| 31 December 2021 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest-bearing bank and other borrowings | 41,674 | 44,580 | 11,100 | 97,354 |
| Trade payables | 42,696 | — | — | 42,696 |
| Financial liabilities included in other payables and accruals | 17,445 | — | — | 17,445 |
| Lease liabilities | 8,807 | 52,335 | 2,641 | 63,783 |
| | 110,622 | 96,915 | 13,741 | 221,278 |
| 30 June 2022 | Less than 1 year | 1 to 5 years | Over 5 years | Total |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Interest-bearing bank and other borrowings | 25,327 | 70,557 | — | 95,884 |
| Trade payables | 30,840 | — | — | 30,840 |
| Financial liabilities included in other payables and accruals | 13,401 | — | — | 13,401 |
| Lease liabilities | 14,546 | 37,824 | 58,962 | 111,332 |
| | 84,114 | 108,381 | 58,962 | 251,457 |

APPENDIX I

ACCOUNTANTS’ REPORT

Capital management

The primary objectives of the Group’s capital management are to safeguard the Group’s ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders’ value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the Relevant Periods.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

| | As at 31 December | | | As at 30 June |
|-------------------------|-------------------|----------------|----------------|----------------|
| | 2019 | 2020 | 2021 | 2022 |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| Current liabilities | 215,914 | 327,080 | 205,043 | 178,166 |
| Non-current liabilities | 18,710 | 95,257 | 103,358 | 149,394 |
| Total debt | <u>234,624</u> | <u>422,337</u> | <u>308,401</u> | <u>327,560</u> |
| Total assets | <u>329,609</u> | <u>532,266</u> | <u>466,680</u> | <u>507,310</u> |
| Gearing ratio | <u>71.18%</u> | <u>79.35%</u> | <u>66.08%</u> | <u>64.57%</u> |

37. CONTINGENT LIABILITIES

The Group and the Company did not have any contingent liabilities not disclosed in the Historical Financial Information at the end of each of the Relevant Periods.

38. EVENTS AFTER THE RELEVANT PERIODS

There was no material subsequent event undertaken by the Group after 30 June 2022.

III. SUPPLEMENTARY FINANCIAL INFORMATION OF TIANJIN TIANFU

Financial information of Tianjin Tianfu for the eleven months ended 30 November 2019 (the date prior to the date of acquisition of Tianjin Tianfu) (the “Pre-acquisition Period”) has been prepared in accordance with the basis of preparation and accounting policies as set out below. This information is referred to hereafter as the “Financial Information of Tianjin Tianfu”.

The Group acquired a 41% interest in Tianjin Tianfu Property Management Co., Ltd. (the “Acquisition”) in 2019 (note 17). The Acquisition was made as part of the Group’s strategy to expand its market in China and was completed in November 2019.

APPENDIX I

ACCOUNTANTS’ REPORT

1. FINANCIAL INFORMATION

Statement of profit or loss and other comprehensive income

| | | Eleven months ended 30 November 2019 |
|--|--------------|---|
| | Notes | RMB’000 |
| REVENUE | 2.2 | 339,651 |
| Cost of services | | <u>(300,935)</u> |
| Gross profit | | 38,716 |
| Finance costs | | (326) |
| Other income and gains | | 3,142 |
| Selling and distribution expense | | (6,256) |
| Administrative expenses | | <u>(40,256)</u> |
| LOSS BEFORE TAX | 2.3 | (4,980) |
| Income tax expenses | | <u>(1,706)</u> |
| LOSS FOR THE PERIOD | | <u>(6,686)</u> |
| TOTAL COMPREHENSIVE LOSS FOR THE PERIOD | | <u>(6,686)</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

Statement of financial position

| | Notes | As at 30 November 2019 RMB’000 |
|--|-------|--------------------------------------|
| NON-CURRENT ASSETS | | |
| Property and equipment | 2.4 | 11,038 |
| Investment properties | 2.5 | 6,722 |
| Right-of-use assets | 2.6 | 8,130 |
| Other intangible assets | | 225 |
| Deferred tax assets | | 704 |
| Total non-current assets | | <u>26,819</u> |
| CURRENT ASSETS | | |
| Inventories | | 2,187 |
| Trade receivables | 2.7 | 65,837 |
| Other receivables and other assets | 2.8 | 3,376 |
| Cash and cash equivalents | | 48,544 |
| Total current assets | | <u>119,944</u> |
| CURRENT LIABILITIES | | |
| Trade payables | 2.9 | 62,265 |
| Other payables and accruals | 2.10 | 44,680 |
| Lease liabilities | 2.6 | 3,401 |
| Total current liabilities | | <u>110,346</u> |
| NET CURRENT ASSETS | | <u>9,598</u> |
| TOTAL ASSETS LESS CURRENT LIABILITIES | | <u>36,417</u> |
| NON-CURRENT LIABILITIES | | |
| Other payables and accruals | 2.10 | 648 |
| Deferred tax liabilities | | 269 |
| Lease liabilities | 2.6 | 5,124 |
| Total non-current liabilities | | <u>6,041</u> |
| Net assets | | <u><u>30,376</u></u> |
| EQUITY | | |
| Paid in capital | | 6,000 |
| Reserves | | 24,376 |
| Total equity | | <u><u>30,376</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

Statement of changes in equity

| | Paid in capital | Share-based payment reserve | Capital reserve | Statutory reserve | Other surplus reserve | Retained profits | Total |
|---|----------------------------|--|----------------------------|------------------------------|--------------------------------------|-----------------------------|----------------|
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| At 1 January 2019 | 6,000 | — | 15 | 3,000 | 7,162 | 14,104 | 30,281 |
| Loss for the period | — | — | — | — | — | (6,686) | (6,686) |
| Disposal of equity investments to a related party | — | — | (15) | — | (485) | — | (500) |
| Equity-settled share- based compensation | — | 12,270 | — | — | — | — | 12,270 |
| Dividend paid | — | — | — | — | — | (4,989) | (4,989) |
| At 30 November 2019 | <u>6,000</u> | <u>12,270</u> | <u>—</u> | <u>3,000</u> | <u>6,677</u> | <u>2,429</u> | <u>30,376</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

Statement of cash flows

| | Eleven months ended 30 November 2019 RMB’000 |
|--|---|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Loss before tax | (4,980) |
| Adjustments for: | |
| Finance costs | 326 |
| Interest income | (191) |
| Depreciation of property and equipment | 3,475 |
| Depreciation of investment properties | 220 |
| Depreciation of right-of-use assets | 2,354 |
| Amortisation of intangible assets | 327 |
| Provision for impairment of trade receivables | 996 |
| Equity-settled share award expenses | 12,270 |
| | <hr/> |
| Increase in trade receivables | (23,637) |
| Increase in inventories | (432) |
| Decrease in other receivables and other assets | 1,925 |
| Increase in trade payables | 22,592 |
| Increase in other payables and accruals | 4,123 |
| | <hr/> |
| Cash generated from operations | 19,368 |
| Interest received | 191 |
| Income tax paid | (597) |
| Net cash flows from operating activities | <hr/> 18,962 <hr/> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Purchases of items of property and equipment | (3,121) |
| Net cash flows used in investing activities | <hr/> (3,121) <hr/> |
| CASH FLOWS FROM FINANCING ACTIVITIES | |
| Principal portion of lease payment | (2,073) |
| Interest paid | (326) |
| Net cash flows used in financing activities | <hr/> (2,399) <hr/> |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 13,442 |
| Cash and cash equivalents at beginning of period | 35,102 |
| | <hr/> |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | <hr/> 48,544 <hr/> |
| ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS | |
| Cash and cash equivalents | 48,544 |
| | <hr/> 48,544 <hr/> |

APPENDIX I

ACCOUNTANTS’ REPORT

2. NOTES TO THE FINANCIAL INFORMATION OF TIANJIN TIANFU

2.1 Principal accounting policies

The Financial Information of Tianjin Tianfu has been prepared in accordance with the accounting policies set out in Section II, note 2.4 to the Historical Financial Information: Summary of significant accounting policies.

2.2 Revenue

An analysis of revenue is as follows:

| | Eleven months ended 30 November 2019 |
|--|---|
| | RMB’000 |
| <i>Revenue from contracts with customers</i> | 338,206 |
| <i>Revenue from other sources</i> | |
| Gross rental income from: | |
| Property leasing services | 1,445 |
| | <u>339,651</u> |

Revenue from contracts with customers

(a) Disaggregated revenue information

| | Eleven months ended 30 November 2019 |
|---|---|
| | RMB’000 |
| Type of services | |
| Property management services | 338,206 |
| Total revenue from contracts with customers | <u>338,206</u> |
| Timing of revenue recognition | |
| Services transferred over time | <u>338,206</u> |

(b) Performance obligations

Information about the Group’s performance obligations is summarised below:

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to two years, and are billed based on the time when the services are provided.

APPENDIX I

ACCOUNTANTS’ REPORT

2.3 Loss before tax

| | Eleven months ended 30 November 2019 |
|--|---|
| | RMB’000 |
| Cost of services provided* | 300,935 |
| Depreciation of property and equipment | 3,475 |
| Depreciation of investment properties | 220 |
| Depreciation of right-of use assets | 2,354 |
| Amortisation of intangible assets | 327 |
| Wages and salaries | 53,507 |
| Pension scheme contributions, social welfare and other welfare | 19,065 |
| Impairment of trade receivables, net | 996 |
| Equity-settled share award expenses | 12,270 |
| | <u>12,270</u> |

* Cost of services provided include depreciation of property and equipment, depreciation of right-of-use assets, depreciation of investment properties and employee benefit expenses, which are also included in the respective total amounts disclosed separately above for each of these types of expenses during the eleven months ended 30 November 2019.

2.4 Property and equipment

| Group | Furniture, fixtures and Leasehold | | | | | Total |
|----------------------------------|--|--------------|-------------------|--------------|------------|---------------|
| | Electronic devices | equipment | Motor vehicles | improvements | Others | |
| | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 | RMB’000 |
| At 30 November 2019 | | | | | | |
| Cost | | | | | | |
| At 1 January 2019 | 2,109 | 3,549 | 7,445 | 6,831 | 662 | 20,596 |
| Additions | 1,828 | 220 | — | 146 | 51 | 2,245 |
| Disposals | (177) | (423) | (343) | — | (24) | (967) |
| At 30 November 2019 | <u>3,760</u> | <u>3,346</u> | <u>7,102</u> | <u>6,977</u> | <u>689</u> | <u>21,874</u> |
| Accumulated depreciation: | | | | | | |
| At 1 January 2019 | 1,259 | 2,292 | 3,832 | 691 | 334 | 8,408 |
| Provided for the period | 350 | 392 | 684 | 1,983 | 66 | 3,475 |
| Disposal | (169) | (515) | (325) | — | (38) | (1,047) |
| At 30 November 2019 | <u>1,440</u> | <u>2,169</u> | <u>4,191</u> | <u>2,674</u> | <u>362</u> | <u>10,836</u> |
| Net carrying amount: | | | | | | |
| At 1 January 2019 | 850 | 1,257 | 3,613 | 6,140 | 328 | 12,188 |
| At 30 November 2019 | <u>2,320</u> | <u>1,177</u> | <u>2,911</u> | <u>4,303</u> | <u>327</u> | <u>11,038</u> |

APPENDIX I

ACCOUNTANTS’ REPORT

2.5 Investment properties

| | RMB’000 |
|-------------------------------------|---------------------|
| Carrying amount at 1 January 2019 | 6,942 |
| Depreciation | <u>(220)</u> |
| Carrying amount at 30 November 2019 | <u><u>6,722</u></u> |

Fair value of the investment properties as 30 November 2019 is as follow:

| | 30 November 2019 |
|----------------------------------|-------------------------|
| | RMB’000 |
| Investment properties in the PRC | <u><u>7,760</u></u> |

The fair value of the Tianjin Tianfu’s investment properties as at 30 November 2019 is determined by valuations conducted by Tianjin Yuehua Real Estate Asset Valuation Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted for commercial properties.

2.6 Leases

Tianjin Tianfu as a lessee

Tianjin Tianfu has lease contracts for office premises. Leases of office premises generally have lease terms between 3 and 10 years.

(a) Right-of-use assets

The carrying amount of Tianjin Tianfu’s right-of-use assets and the movements are as follows:

| | Office premises RMB’000 |
|-------------------------|--|
| 30 November 2019 | |
| As at 1 January 2019 | 5,057 |
| Additions | 5,427 |
| Depreciation charge | <u>(2,354)</u> |
| As at 30 November 2019 | <u><u>8,130</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

(b) Lease liabilities

The carrying amount of lease liabilities and the movements are as follows:

| | <u>Lease liabilities</u> |
|--|--------------------------|
| | <u>RMB’000</u> |
| 30 November 2019 | |
| As at 1 January 2019 | 5,171 |
| New leases | 5,427 |
| Accretion of interest recognised during the period | 326 |
| Payments | <u>(2,399)</u> |
| As at 30 November 2019 | <u><u>8,525</u></u> |
| | 2019 January |
| | to November |
| | RMB’000 |
| Analysed into: | |
| Current portion | 3,401 |
| Non-current portion | <u><u>5,124</u></u> |

(c) The amounts recognised in profit or loss in relation to leases are as follows:

| | <u>30 November</u> |
|--|---------------------|
| | <u>2019</u> |
| | <u>RMB’000</u> |
| Interest on lease liabilities | 326 |
| Depreciation charge of right-of-use assets | 2,354 |
| Expense relating to short-term leases | <u>361</u> |
| Total amount recognised in profit or loss | <u><u>3,041</u></u> |

2.7 Trade receivables

| | <u>As at</u> |
|-------------------|----------------------|
| | <u>30 November</u> |
| | <u>2019</u> |
| | <u>RMB’000</u> |
| Trade receivables | 66,970 |
| Impairment | <u>(1,133)</u> |
| | <u><u>65,837</u></u> |

APPENDIX I

ACCOUNTANTS’ REPORT

An ageing analysis of the trade receivables as at 30 November 2019, based on the invoice date, is as follows:

| | As at 30 November 2019 |
|---------------|---------------------------------------|
| | RMB’000 |
| Within 1 year | 65,547 |
| 1 to 2 years | 516 |
| 2 to 3 years | 16 |
| Over 3 years | 891 |
| | <u>66,970</u> |

The movements in the loss allowance for impairment of trade receivables are as follows:

| | As at 30 November 2019 |
|--------------------------|---------------------------------------|
| | RMB’000 |
| At beginning of period | 2,129 |
| Impairment reversal, net | <u>(996)</u> |
| At end of period | <u>1,133</u> |

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on the invoice date for groupings of various customer segments with similar loss patterns. The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at 30 November 2019 about past events, current conditions and forecasts of future economic conditions.

Tianjin Tianfu writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery, e.g., when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, whichever occurs sooner, also taking into account legal advice where appropriate.

APPENDIX I

ACCOUNTANTS’ REPORT

Set out below is the information about the credit risk exposure on the Tianjin Tianfu’s trade receivables using a provision matrix:

| | As at 30 November 2019 | | |
|---------------|-------------------------------|-----------------------|------------------------|
| | Expected credit | Gross carrying | Expected credit |
| | loss rate | amount | losses |
| | | RMB’000 | RMB’000 |
| Within 1 year | 0.32% | 65,547 | 218 |
| 1 to 2 years | 1.94% | 516 | 10 |
| 2 to 3 years | 87.50% | 16 | 14 |
| Over 3 years | 100.00% | 891 | 891 |
| | | 66,970 | 1,133 |

2.8 Other receivables and deposits

| | As at 30 November 2019 |
|-------------------|---------------------------------------|
| | RMB’000 |
| Deposits | 2,330 |
| Other receivables | 1,089 |
| Impairment | (43) |
| | 3,376 |

The movements in the loss allowance for impairment of other receivables are as follows:

| | As at 30 November 2019 |
|------------------------|---------------------------------------|
| | RMB’000 |
| At beginning of period | 23 |
| Impairment losses, net | 20 |
| | 43 |

Deposits mainly represent deposits with clients. Where applicable, an impairment analysis is performed at the end of each of the Relevant Periods by considering the probability of default of comparable companies with published credit ratings. In the situation where no comparable companies with credit ratings can be identified, expected credit losses are estimated by applying a loss rate approach with reference to the historical loss record of the Group. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate. The loss rate applied for where there were no comparable companies as at 30 November 2019 was 1.86%.

APPENDIX I

ACCOUNTANTS’ REPORT

2.9 Trade payables

An ageing analysis of the trade payables as at 30 November 2019, based on the invoice date, is as follows:

| | As at 30 November 2019 |
|---------------|---------------------------------------|
| | RMB’000 |
| Within 1 year | 61,891 |
| Over 1 year | 374 |
| | <u>62,265</u> |

Trade payables are non-interest-bearing and normally settled on terms of less than 90 days.

2.10 Other payables and accruals

| | As at 30 November 2019 |
|------------------------------------|---------------------------------------|
| | RMB’000 |
| Current | |
| Staff payroll and welfare payables | 12,595 |
| Contract liabilities | 10,987 |
| Deposits | 7,793 |
| Receipts on behalf of residents | 1,910 |
| Tax payable other than income tax | 4,006 |
| Dividend payable | 4,989 |
| Others | 2,400 |
| | <u>44,680</u> |
| Non-current | |
| Deposits | 648 |
| | <u>45,328</u> |
| Total | <u>45,328</u> |

2.11 SHARE-BASED PAYMENT

In September 2019, 10% shares of Tianjin Tianfu were granted to Tianjin Tianfu’s management in recognition of their past services. There was no service period condition on the shares granted. As the 10% share transfer to management at the asking price was effective before the completion of the Acquisition, the difference between the fair value of those shares and its transfer price amounting RMB12,270,000 was accounted for as equity-settled share award expenses before the completion of the Acquisition.

APPENDIX I

ACCOUNTANTS’ REPORT

The fair value of equity-settled share-based payment granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the shares were granted. The following table lists the inputs to the model used:

| | <u>September 2019</u> |
|------------------------------------|-----------------------|
| Weighted average cost of capital | 15% |
| Discount for lack of marketability | 40% |

IV. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared by the Company, the Group or any of the companies now comprising the Group in respect of any period subsequent to 30 June 2022.