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奧園健康生活集團有限公司
AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3662)

**ANNOUNCEMENT OF ANNUAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2021**

2021 RESULTS HIGHLIGHTS

For the year ended 31 December 2021:

- The Group's total revenue was approximately RMB1,941.7 million, representing an increase of approximately RMB526.1 million or approximately 37.2% as compared to that of approximately RMB1,415.6 million for the year ended 31 December 2020. Revenue generated from the two major operating segments, being property management services and commercial operational services, contributed approximately 80.8% and 14.5% to the total revenue, respectively, and revenue generated from other businesses contributed approximately 4.7% to the total revenue.
- The revenue generated from the property management services segment was approximately RMB1,569.3 million, representing an increase of approximately 55.4% as compared with the Previous Year. The gross profit of the segment was approximately RMB362.9 million and the gross profit margin was approximately 23.1%. The chargeable GFA under management as at 31 December 2021 was approximately 48.8 million sq.m., representing an increase of approximately 7.4 million sq.m. as compared to that as at 31 December 2020.

- The revenue generated from the commercial operational services segment was approximately RMB281.5 million, representing a decrease of approximately 15.5% as compared with the Previous Year. The gross profit of the segment was approximately RMB96.8 million and the gross profit margin was approximately 34.4%, which was mainly due to a decrease in income from pre-research and investment services in the current year as compared with the Previous Year resulting from the impact of the recurring epidemic outbreak and the economic environment.
- The gross profit of the Group was approximately RMB469.6 million, representing a decrease of approximately 3.9% as compared to that of the Previous Year, and the gross profit margin was approximately 24.2%.
- The Group recorded net loss of approximately RMB197.3 million, as compared to net profit of approximately RMB253.7 million of the Previous Year and net profit margin was approximately -10.2%, which was mainly due to the fact that the Group recorded a large expected credit impairment loss on receivables from fellow subsidiaries and related parties because of the change in the real estate market environment, while the earnings and cash flow projections of acquired Easy Life were different from those expected at the time of acquisition due to the impact of the epidemic and fierce market competition, for which the Group provided a large amount of goodwill impairment loss. Excluding the provision for impairment loss on goodwill and expected credit impairment losses on amounts due from fellow subsidiaries and related parties and their related tax effects during the Year, the Group achieved a net profit of approximately RMB137.6 million.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Aoyuan Healthy Life Group Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2021 (the “**Year**” or “**2021**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	<i>NOTES</i>	Year ended 31 December	
		2021	2020
		<i>RMB’000</i>	<i>RMB’000</i>
			<i>(restated)</i>
			<i>(Note 1)</i>
Revenue	3	1,941,747	1,415,585
Cost of services rendered		(1,472,172)	(926,909)
Gross profit		469,575	488,676
Other income, gains and losses	4	30,646	28,207
Impairment losses under expected credit loss model, net of reversal	6	(290,260)	(15,974)
Impairment losses on goodwill		(131,759)	–
Administrative expenses		(188,816)	(156,267)
Selling and distribution expenses		(5,757)	(2,373)
Change in fair value of investment properties		40	(89)
Share of results of joint ventures		(184)	(169)
Share of results of associates		(25,934)	840
Finance costs		(31,837)	(16,536)
(Loss)/profit before tax		(174,286)	326,315
Income tax expense	5	(23,000)	(72,598)
(Loss)/profit for the year	6	(197,286)	253,717

		Year ended 31 December	
	<i>NOTES</i>	2021	2020
		RMB'000	<i>RMB'000</i>
			(restated)
			<i>(Note 1)</i>
Other comprehensive income/(expense)			
Item that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		(2,951)	(6,292)
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain/(loss) on equity instrument at fair value through other comprehensive income (“FVTOCI”)		10,867	(468)
Other comprehensive income/(expense) for the year, net of income tax		7,916	(6,760)
Total comprehensive (expense)/income for the year		(189,370)	246,957
(Loss)/profit for the year attributable to:			
– Owners of the Company		(190,940)	251,114
– Non-controlling interests		(6,346)	2,603
		(197,286)	253,717
Total comprehensive (expense)/income attributable to:			
– Owners of the Company		(185,398)	246,380
– Non-controlling interests		(3,972)	577
		(189,370)	246,957
(Loss)/earnings per share (<i>RMB cents</i>)			
– Basic	7	(26.29)	34.58
– Diluted	7	(26.29)	34.58

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

		As at 31 December		As at 1 January
<i>NOTES</i>	2021	2020	2020	2020
	RMB'000	<i>RMB'000</i>	(restated)	<i>RMB'000</i>
		(Note 1)	(Note 1)	(Note 1)
NON-CURRENT ASSETS				
Property, plant and equipment	37,060	43,541		20,491
Right-of-use assets	23,575	28,978		100,783
Investment properties	9,068	9,028		–
Intangible assets	91,932	75,293		4,320
Goodwill	151,118	226,118		3,491
Interests in joint ventures	–	8,286		8,455
Interests in associates	–	27,970		–
Equity instrument at fair value through profit or loss (“FVTPL”)	70,523	68,553		–
Equity instrument at FVTOCI	106,160	98,257		105,062
Deferred tax assets	52,224	10,564		2,576
Deposits paid for acquisition of property, plant and equipment	2,524	2,524		–
Trade and other receivables	2,900	2,900		209,400
Deferred contract costs	–	–		2,882
	547,084	602,012		457,460
CURRENT ASSETS				
Inventories	3,482	661		653
Trade and other receivables	491,033	356,769		107,626
Deferred contract costs	3,195	20,301		4,971
Amounts due from non-controlling shareholders of subsidiaries	3,495	4,528		593
Amounts due from fellow subsidiaries	14,415	71,357		64,648
Amounts due from related parties	8,262	25,752		14,276
Amounts due from associates	–	51,866		–
Amounts due from joint ventures	–	–		19,491
Restricted bank deposits	13,058	13,199		–
Bank balances and cash	1,209,222	1,506,273		822,933
	1,746,162	2,050,706		1,035,191

		As at 31 December		As at
	NOTES	2021	2020	1 January
		RMB'000	RMB'000	RMB'000
			(restated)	(restated)
			(Note 1)	(Note 1)
CURRENT LIABILITIES				
Trade and other payables	10	729,863	595,631	297,802
Financial liability at FVTPL		–	29,050	–
Contract liabilities		271,884	240,044	93,941
Amounts due to fellow subsidiaries		–	100,108	79,607
Amounts due to related parties		–	3,707	1,424
Amounts due to non-controlling shareholders of subsidiaries		10,445	10,224	–
Amounts due to joint ventures		–	5,067	–
Tax liabilities		47,383	50,065	30,075
Lease liabilities		4,101	4,647	3,313
Bonds		–	16,812	–
Bank borrowings		386,564	471,500	100,313
		<u>1,450,240</u>	<u>1,526,855</u>	<u>606,475</u>
NET CURRENT ASSETS		<u>295,922</u>	<u>523,851</u>	<u>428,716</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>843,006</u>	<u>1,125,863</u>	<u>886,176</u>
NON-CURRENT LIABILITIES				
Deferred tax liabilities		24,989	20,336	1,080
Lease liabilities		21,924	25,561	12,832
		<u>46,913</u>	<u>45,897</u>	<u>13,912</u>
NET ASSETS		<u><u>796,093</u></u>	<u><u>1,079,966</u></u>	<u><u>872,264</u></u>
CAPITAL AND RESERVES				
Share capital		6,207	6,207	6,207
Reserves		741,108	1,021,009	833,504
Equity attributable to owners of the Company		747,315	1,027,216	839,711
Non-controlling interests		48,778	52,750	32,553
TOTAL EQUITY		<u><u>796,093</u></u>	<u><u>1,079,966</u></u>	<u><u>872,264</u></u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL AND BASIS OF PRESENTATION

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 13 December 2016. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 March 2019.

The consolidated financial statements are presented in Renminbi ("**RMB**"), the functional currency of the Company.

Pursuant to the share transfer agreement dated 14 February 2021 entered into between Guangdong Aoyuan Health Industry Investment Group Co., Limited (廣東奧園健康產業投資集團有限公司) ("**Aoyuan Health Industry**"), an indirect subsidiary of the Company, and Guangzhou Aoji Electronic Commerce Co., Limited (廣州奧際電子商務有限公司) ("**Guangzhou Aoji**"), a subsidiary of China Aoyuan Group Limited ("**China Aoyuan**"), Aoyuan Health Industry acquired 100% equity interests in Guangzhou Xinaoda Cloud Technology Co., Limited, (廣州新奧達雲科技有限公司) ("**Guangzhou Xinaoda**") at a cash consideration of RMB1. Pursuant to the share transfer agreement dated 29 March 2021 entered into between Aoyuan Health Industry and Guangzhou Aoji, Aoyuan Health Industry acquired 51% equity interests in Guangdong Xuanyan Business Management Co., Limited (廣東暄妍商業管理有限公司) ("**Guangdong Xuanyan**"), at nil consideration. Pursuant to the share transfer agreement dated 1 April 2021 entered into between Aoyuan Health Industry and Guangdong Aoyuan Technology Group Co., Limited (廣東奧園科技集團有限公司) ("**Guangdong Aoyuan Technology**"), a subsidiary of China Aoyuan, Aoyuan Health Industry acquired 91.89% equity interests in Guangdong Aoyuan Life Science Co., Limited (廣東奧園生命科學有限公司) ("**Aoyuan Life Science**"), at nil consideration. Pursuant to the share transfer agreement dated 27 July 2021 entered into between Guangdong Xuanyan and Guangzhou Sanzhai Yumei Technology Company Limited (廣州三宅譽美科技有限公司) ("**Guangzhou Sanzhai**"), a subsidiary of China Aoyuan, Guangdong Xuanyan acquired 100% equity interests in Aoying E-commerce Co., Limited (奧盈電子商務有限公司) ("**Aoying E-commerce**"), at the consideration of HK\$10,000 (approximately RMB9,000). Pursuant to the share transfer agreement dated on 17 December 2021 entered into between Asia Health and Wellness Industrial Development Institute Limited ("**Asia Health and Wellness**"), an indirect subsidiary of the Company, and Add Hero Holdings Limited, a subsidiary of China Aoyuan, Asia Health and Wellness acquired 70% equity interests in Masterwin Developments Limited ("**Masterwin Developments**"), at the consideration of RMB78,714,000 (collectively the "**Acquisitions**").

After completion of the Acquisitions, the Group obtained a total of 100%, 51%, 91.89%, 100% and 70% equity interests in Guangzhou Xinaoda, Guangdong Xuanyan, Aoyuan Life Science, Aoying E-commerce and Masterwin Developments (collectively the "**Acquired Companies**") respectively.

The Group and the Acquired Companies are under common control of China Aoyuan, an intermediate holding company of the Company, before and after the Acquisitions, and that the control is not transitory. Accordingly, the Group and the Acquired Companies are regarded as continuing entities and the Acquisitions have been accounted for as combination of entities under common control by applying merger accounting.

The consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year ended 31 December 2020 has been restated to include the results, changes in equity and cash flows of the Acquired Companies as if the Acquisitions had been completed since the date the respective businesses came under common control. The consolidated statement of financial position of the Group as at 31 December 2020 has been restated to include the assets and liabilities of the Acquired Companies as if those entities were combined from the date when they first came under common control.

The above restatement has not made adjustment to the net assets nor the net profit or loss of any combining entities in order to achieve consistency of the Group's accounting policies.

The effects of all transactions between the Group and Acquired Companies, whether occurring before and after the Acquisitions, are eliminated in preparing the consolidated financial statements.

The impact of the above restatement on the consolidated profit or loss and other comprehensive income for the year ended 31 December 2020 was an increase in the Group's revenue of RMB7,496,000 and a decrease in the profit and total comprehensive income for the year attributable to the owners of the Company of RMB3,997,000.

The impact of the above restatement on the consolidated statement of financial position as at 31 December 2020 was an increase in the total assets and net assets of the Group of RMB103,573,000 and RMB19,916,000 respectively.

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "IFRSs")

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Company and its subsidiaries (collectively, the "Group") have applied the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB"), which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements.

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendment to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2

In addition, the Group has early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concession beyond 30 June 2021*.

Except as described below, the application of the amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendment to IFRS 16 Covid-19-Related Rent Concessions and early application of Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021

The Group has applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions* for the first time and early applied the Amendment to IFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* in the current year retrospectively. The amendments introduce a new practical expedient for lessees to elect not to assess whether a Covid-19-related rent concession is a lease modification. The practical expedient only applies to rent concessions that occurred as a direct consequence of the Covid-19 pandemic that meets all of the following conditions:

- the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- any reduction in lease payments affects only payments originally due on or before 30 June 2022; and
- there is no substantive change to other terms and conditions of the lease.

A lessee applying the practical expedient accounts for changes in lease payments resulting from rent concessions the same way it would account for the changes applying IFRS 16 *Leases* (“IFRS 16”) if the changes were not a lease modification. Forgiveness or waiver of lease payments are accounted for as variable lease payments. The related lease liabilities are adjusted to reflect the amounts forgiven or waived with a corresponding adjustment recognised in the profit or loss in the period in which the event occurs.

The application of these amendments has had no material impact on the Group’s financial positions and performance in the current and prior years as the Group opted not to apply the practical expedient, but applied the applicable requirements of IFRS 16 to account for rent concessions provided by certain lessors.

New and amendments to IFRSs in issue but not yet effective

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

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

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (restated)
Type of services		
Property management services		
Property management services	1,090,086	626,184
Sales assistance services	182,688	233,556
Community value-added services	219,102	133,796
Heating services	50,606	13,941
Others	26,803	2,045
	<u>1,569,285</u>	<u>1,009,522</u>
Commercial operational services		
Commercial operation and management services	232,421	205,969
Market positioning and business tenant sourcing services	49,114	127,272
	<u>281,535</u>	<u>333,241</u>
Intelligent engineering services		
Intelligent engineering services	77,717	47,051
Sales of software and hardware	1,638	16,581
	<u>79,355</u>	<u>63,632</u>
General health and wellness services		
Healthcare and community elderly care services	11,572	9,190
	<u>11,572</u>	<u>9,190</u>
Total	<u><u>1,941,747</u></u>	<u><u>1,415,585</u></u>
Type of customers		
Property management services		
External customers	1,243,453	675,824
Fellow subsidiaries	266,445	277,365
An associate	–	8,210
Other related parties	59,387	48,123
	<u>1,569,285</u>	<u>1,009,522</u>

	Year ended 31 December	
	2021 RMB'000	2020 RMB'000 (restated)
Commercial operational services		
External customers	195,026	227,268
Fellow subsidiaries	77,945	89,771
An associate	8,292	13,724
Other related parties	272	2,478
	281,535	333,241
Intelligent engineering services		
External customers	5,084	10,837
Fellow subsidiaries	60,635	47,852
An associate	360	–
Other related parties	13,276	4,943
	79,355	63,632
General health and wellness services		
External customers	3,081	1,643
Fellow subsidiaries	8,491	7,547
	11,572	9,190
Total	1,941,747	1,415,585
Timing of revenue recognition		
Over time	1,864,667	1,323,695
A point in time	77,080	91,890
Total	1,941,747	1,415,585

The Group's operating segments are determined based on information reported to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group, for the purposes of resource allocation and assessment of segment performance, focused on types of services provided.

The accounting policies applied in determining segment revenue and segment results of the operating segments are the same as the Group's accounting policies. Segment results represent the profit earned by each segment without allocation of central administrative costs, change in fair value of investment properties, equity instrument at FVTPL and financial liability at FVTPL, certain other income, gains and losses, finance costs, share of results of associates and joint ventures and gain/loss on disposal of subsidiaries, joint ventures and associates.

In the current year, the Group reorganised its internal reporting structure by having two additional operating segments, the intelligent engineering services segment and the general health and wellness services segment, which the revenue generated by these two segments were previously included in property management services segment. Accordingly, the comparative segment information has been re-presented to conform with the presentation of the current financial year.

The Group's operating and reportable segments are as follows:

a. Property management services

The Group engaged in the provision of property management services, sales assistance services, community value-added services, engineering installation services and heating services for both residential and non-residential units to property developers, property owners and residents.

b. Commercial operational services

The Group engaged in the provision of commercial operation and management services and market positioning and business tenant sourcing services to commercial property developers and commercial property lessees.

c. Intelligent engineering services

The Group engaged in the provision of intelligent engineering services to the property owners and sales of hardware and software.

d. General health and wellness services

The Group engaged in the provision of general health and wellness to property owners and residents.

No analysis of segment assets and segment liabilities is presented as such information are not regularly provided to the CODM for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Intelligent engineering services <i>RMB'000</i>	General health and wellness services <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021					
Segment revenue	<u>1,569,285</u>	<u>281,535</u>	<u>79,355</u>	<u>11,572</u>	<u>1,941,747</u>
Segment results	<u>(67,155)</u>	<u>2,404</u>	<u>(34,739)</u>	<u>(107)</u>	(99,597)
Net exchange gain					3,515
Change in fair value of investment properties					40
Change in fair value of equity instrument at FVTPL					1,970
Loss on disposal of subsidiaries					(6,363)
Gain on disposal of joint ventures					898
Gain on disposal of associates					764
Central administrative costs					(17,558)
Share of results of joint ventures					(184)
Share of results of associates					(25,934)
Interest on lease liabilities					(2,283)
Interest on bonds and bank borrowings					<u>(29,554)</u>
Loss before tax					<u>(174,286)</u>

	Property management services RMB'000	Commercial operational services RMB'000	Intelligent engineering services RMB'000	General health and wellness services RMB'000	Total RMB'000
Year ended 31 December 2020 (restated)					
Segment revenue	1,009,522	333,241	63,632	9,190	1,415,585
Segment results	223,480	127,983	3,261	750	355,474
Net exchange gain					622
Change in fair value of investment properties					(89)
Change in fair value of equity instrument at FVTPL					15,942
Change in fair value of financial liability at FVTPL					(9,889)
Gain on deemed disposal of a subsidiary					4,496
Central administrative costs					(24,376)
Share of results of joint ventures					(169)
Share of results of associates					840
Interest on lease liabilities					(2,785)
Interest on bonds and bank borrowings					(13,751)
Profit before tax					326,315

Other segment information

	Property management services RMB'000	Commercial operational services RMB'000	Intelligent engineering services RMB'000	General health and wellness services RMB'000	Unallocated RMB'000	Total RMB'000
Year ended 31 December 2021						
Segment information included in the measure of segment results:						
Depreciation of property, plant and equipment	7,944	1,247	178	14	4,797	14,180
Amortisation of intangible assets	13,273	-	-	-	-	13,273
Depreciation of right-of-use assets	1,772	890	-	-	3,373	6,035
Amortisation of deferred contract costs	-	10,389	-	-	-	10,389
Impairment losses under expected credit loss model recognised in profit or loss, net of reversal	181,489	66,422	42,349	-	-	290,260
Impairment losses on goodwill	131,759	-	-	-	-	131,759
Impairment losses on deferred contract costs	-	10,197	-	-	-	10,197
Loss on disposal of property, plant and equipment	197	-	-	-	-	197
Year ended 31 December 2020 (restated)						
Segment information included in the measure of segment results:						
Depreciation of property, plant and equipment	7,719	1,245	93	-	3,987	13,044
Amortisation of intangible assets	5,058	-	-	-	-	5,058
Depreciation of right-of-use assets	1,656	1,225	-	-	4,876	7,757
Amortisation of deferred contract costs	-	12,918	-	-	-	12,918
Impairment losses under expected credit loss model recognised in profit or loss, net of reversal	10,304	5,670	-	-	-	15,974
Impairment losses on property, plant and equipment and inventories	-	-	-	549	-	549
Loss on disposal of property, plant and equipment	73	-	-	-	-	73

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in the People's Republic of China (the "PRC"), and over 99% of the non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from customers for the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Fellow subsidiaries (<i>Note</i>)	<u>413,516</u>	<u>422,535</u>

Note: The revenue was derived from all of the above segments. The fellow subsidiaries are the subsidiaries of China Aoyuan (excluding the Group).

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
Bank interest income	6,344	2,254
Net exchange gain	3,515	622
Government grants	22,462	10,705
Loss on disposal of property, plant and equipment	(197)	(73)
Impairment losses on property, plant and equipment and inventories	–	(549)
Impairment losses on deferred contract costs	(10,197)	–
Dividend income	6,635	–
Loss on disposal of subsidiaries	(6,363)	–
Gain on deemed disposal of subsidiaries	–	4,496
Gain on disposal of associates	764	–
Gain on disposal of joint ventures	898	–
Change in fair value of equity instrument at FVTPL	1,970	15,942
Change in fair value of financial liability at FVTPL	–	(9,889)
Others	4,815	4,699
	<u>30,646</u>	<u>28,207</u>

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
Current tax		
PRC Enterprise Income Tax ("EIT")	67,485	74,490
Deferred tax	(44,485)	(1,892)
	<u>23,000</u>	<u>72,598</u>

No provision for Hong Kong profits tax has been made as the Group did not have any assessable income subject to Hong Kong profits tax for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the provisions of Caishui [2019] No.13 and Guoshui [2019] No.2, certain subsidiaries of the Group, enjoy preferential income tax policies for the small and low profit enterprises for both years.

Aoyuan Intelligent Life Services (Guangzhou) Group Company Limited and Easy Life Smart Community Services Group Co., Ltd, subsidiaries of the Group, obtained the certificate of “National High-tech Enterprise” in 2020 and 2021, respectively, under which it is entitled to a preferential income tax rate of 15% for the three years from 1 January 2020 to 31 December 2022 and from 1 January 2021 to 31 December 2023, respectively.

6. (LOSS)/PROFIT FOR THE YEAR

	Year ended 31 December	
	2021	2020
	RMB'000	RMB'000
		(restated)
(Loss)/profit for the year has been arrived at after charging/ (crediting):		
Auditors' remuneration	<u>4,500</u>	<u>3,800</u>
Directors' emoluments	8,508	6,713
Other staff's salaries and other benefits	440,964	369,769
Other staff's contributions to retirement benefit scheme	41,986	25,590
Contributions to housing provident funds	11,598	13,212
Other staffs' share-based payments	<u>2,223</u>	<u>3,518</u>
Total staff costs	<u>505,279</u>	<u>418,802</u>
Impairment losses recognised/(reversed) on:		
Trade receivables	52,907	8,900
Other receivables	(686)	7,074
Fellow subsidiaries	153,915	–
Non-controlling shareholders of subsidiaries	70	–
Related parties	79,798	–
Others	<u>4,256</u>	<u>–</u>
Total impairment losses under expected credit loss model, net of reversal	<u>290,260</u>	<u>15,974</u>
Cost of inventories recognised as an expense	4,209	1,759
Amortisation of deferred contract costs	10,389	12,918
Depreciation of property, plant and equipment	14,180	13,044
Depreciation of right-of-use assets	6,035	7,757
Amortisation of intangible assets (included in cost of services rendered)	<u>13,273</u>	<u>5,058</u>

7. (LOSS)/EARNINGS PER SHARE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i> (restated)
(Loss)/earnings:		
(Loss)/earnings for the purposes of basic and diluted earnings per share, as appropriate ((loss)/profit for the year attributable to owners of the Company)	<u><u>(190,940)</u></u>	<u><u>251,114</u></u>
	2021	2020
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted (loss)/earnings per share	<u><u>726,250,000</u></u>	<u><u>726,250,000</u></u>

The calculation of diluted (loss)/earnings per share for the current year does not assume the exercises of the Company's share options outstanding during the current year because the exercise prices of those options were higher than the average market price of the Company's shares during the current year and from the grant date of those options to the year end date in 2020.

8. DIVIDENDS

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Dividends, recognised as distribution during the year:		
2020 final dividend of RMB0.14 per share (2020: 2019 final dividend of RMB0.09 per share)	<u><u>101,675</u></u>	<u><u>65,363</u></u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2021, nor has any dividend been proposed since the end of the year.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
		(restated)
Trade receivables	427,262	258,041
Less: impairment losses under expected credit loss model, net of reversal	<u>(70,528)</u>	<u>(17,621)</u>
Total trade receivables	<u>356,734</u>	<u>240,420</u>
Other receivables:		
Deposits	16,695	18,484
Payments on behalf of residents	49,025	28,171
Prepayments	31,187	27,381
Others	46,685	52,292
Less: impairment losses under expected credit loss model, net of reversal	<u>(6,393)</u>	<u>(7,079)</u>
	<u>137,199</u>	<u>119,249</u>
Total trade and other receivables	<u>493,933</u>	<u>359,669</u>
Analysed for reporting purpose as:		
Non-current assets (included in deposits)	2,900	2,900
Current assets	<u>491,033</u>	<u>356,769</u>
	<u>493,933</u>	<u>359,669</u>

The following is an aged analysis of trade receivables presented based on the date of demand note:

	As at 31 December	
	2021	2020
	RMB'000	<i>RMB'000</i>
		(restated)
0 to 60 days	100,167	111,076
61 to 180 days	94,841	63,069
181 to 365 days	84,078	31,016
1 to 2 years	99,548	30,937
2 to 3 years	26,604	13,012
Over 3 years	<u>22,024</u>	<u>8,931</u>
	<u>427,262</u>	<u>258,041</u>

10. TRADE AND OTHER PAYABLES

		As at 31 December	
		2021	2020
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i> (restated)
Trade payables		<u>239,899</u>	<u>170,525</u>
Other payables:			
Receipts on behalf of residents		131,023	108,823
Deposits received	(a)	153,937	133,622
Accrued staff costs		64,676	59,418
Accrued contribution to social insurance and housing provident funds		12,750	10,640
Other tax payables		9,417	14,503
Accrued expenses		36,429	35,488
Other payables		<u>81,732</u>	<u>62,612</u>
Total other payables		<u>489,964</u>	<u>425,106</u>
Total trade and other payables		<u><u>729,863</u></u>	<u><u>595,631</u></u>

Note:

- (a) The balances mainly represented utility deposits received from the community residents and commercial tenants.

The credit period granted by suppliers to the Group ranges from 30 days to 90 days during the year. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i> (restated)
0 to 60 days	114,438	126,941
61 to 180 days	46,647	15,864
181 to 365 days	24,981	12,047
1 to 2 years	43,234	14,498
2 to 3 years	9,765	897
Over 3 years	<u>834</u>	<u>278</u>
	<u><u>239,899</u></u>	<u><u>170,525</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Business Overview

The Group is a renowned property management services and commercial operational services provider in the People's Republic of China (the "PRC"), which commits to providing general health and wellness services, intelligent community services and urban life services, and implements business strategy of diversifying service offerings to meet the evolving demands of customers. The Group offers diversified property management services for residential and non-residential properties, as well as a full range of commercial operational services for mid to high-end properties and mixed-use property development projects in shopping malls, so as to create a quality, healthy and livable environment, as well as an environment suitable for commercial and social activities while providing comprehensive, quality, healthy and happy life management services.

Property Management

As at 31 December 2021, the Group provided property management services to 493 properties (including sales offices) in 89 cities across 22 provinces, municipalities, and autonomous regions in the PRC with chargeable gross floor area ("GFA") under management of approximately 48.8 million square metres ("sq.m."), representing an increase of approximately 7.4 million sq.m. or 17.9% as compared to approximately 41.4 million sq.m. as at 31 December 2020. As at 31 December 2021, the contracted area of the Group was approximately 86.7 million sq.m..

The Group continued to deepen its development in residential property management to provide residents with high-quality residential services. At the same time, through refined management and market expansion, it has continuously expanded the scope of property services and gradually enriched its service mix. The current service scopes include developer services, community services, commercial office building services and public building services. Of which, the developer services include engineering pre-delivery consultation services, parking spaces sales agency services, sales assistance services for sales offices, household inspection, turnkey furnishing, and installation of aluminum alloy doors and windows and anti-theft systems, etc. The community services include property management, butler services and housekeeping services. The commercial office building services include shopping mall management, hotel-style apartment management, commercial street management and office building management. The public building services include amusement park management, ancillary services for hospitals, airports, aviation and utilities, and equipment management of public buildings and facilities. With the expansion of its scope of services and enrichment of service mix, the Group's revenue has increased steadily and its competitive advantages have been significantly enhanced.

During the Year, the Group leveraged on technological strengths to achieve data centralised control, information circulation, human efficiency improvement, organisational optimisation and customer experience improvement. In addition to access to basic services such as repairs, payment, and cleaning, it supplements and improves value-added services such as community group purchase, home refurbishment, healthcare and daily necessities purchase by leveraging on the “Aoyuejia” (奥悦家) mobile application and the back office system of WeChat official account. Meanwhile, the Group held the Fourth Aoyue Festival in Aoyuan communities under the theme of “Share Happiness with Neighbour”. Nearly 200 events, such as evening galas, fun games and garden parties were held in 93 communities across 27 cities nationwide. In addition, the “Healthy Life Service Station” of the Group, which debuted at the Guangzhou Smart Property Management Expo, highlighted the community strategic layout of “Property + Health + Technology” and attracted more than 10,000 visitors to the exhibition hall during the exhibition.

The Group also actively promoted its asset management services. During the Year, the Group initiated the “Renovation Plan” for Aoyuan communities, providing more than 300 community renovation services for nearly 100 projects, and continued to explore value preservation works of community assets. In addition, the operation and management company of the Group providing value-added services further improved and enhanced the community group purchase, rental and sale business as well as home refurbishment services. At the same time, the Group continued to implement the AHA Heartsaver certification training for “Yue Butlers” (悦管家), and the proportion of butlers with first aid qualifications increased rapidly, injecting more powerful life support resources into the Aoyuan communities, and providing tangible health protection for property owners and employees, and creating distinctive property services of the Group.

In 2021, the expansion of non-residential businesses under the Group’s property management services achieved remarkable results, accounted for more than 80% of the expansion projects, which involved various business segments such as government offices, airports, aviation, hospitals, expressway service zones, and urban utilities. On the one hand, the Group intended to enhance its own business competitiveness and ensure profit expectations by actively nourishing the service capabilities of different business segments. On the other hand, it responded to the call of the PRC to explore the “Property + Life” service model by exploring comprehensive services for city operations and participating in urban community governance, so as to consolidate the Group’s leading position in the property management industry, and create better returns for shareholders.

Commercial Operation

As at 31 December 2021, the Group contracted to provide commercial operational services to a total of 40 shopping malls with a contracted GFA of approximately 1.9 million sq.m.. Of which, the Group contracted to provide post-opening commercial operation and management services to 24 shopping malls with a contracted GFA of approximately 1.2 million sq.m..

In 2021, the Group continued to conduct intensive urban development and joined hands with well-known domestic and foreign business alliances in Aoyuan Alliance* (奧商會), a tenant sourcing resource library of the Group, to provide comprehensive one-stop commercial operation management services covering the whole process. The business covers preliminary planning, commercial design, technical consultation, business tenant sourcing agency, preparation for business grand opening and asset operation, and other commercial property chains. During the Year, the Group operated four new shopping malls, namely Guangdong Dapu Aoyuan Plaza* (廣東大埔奧園廣場), Guizhou Weining Aoyuan Plaza* (貴州威寧奧園廣場), Guangxi Pubei Aoyuan Plaza* (廣西浦北奧園廣場) and Jiangxi Ruichang Aoyuan Plaza* (江西瑞昌奧園廣場), providing the general public with a full range of consumer-oriented services such as commodities and convenient consumption, accurate information feed and service response, exclusive membership services, management output and asset operation services.

The Group continued to explore the options for revitalising its commercial assets and enhancing asset value. To cultivate the ability to differentiate and excel itself competitively, the Group has continued to explore and built the intellectual property series of Weiyang* (味央) China trend for commercial operation since 2020. Following the completion of renovation of Guangzhou Aoyuan City Plaza • Weiyang Lane* (廣州奧園城市天地•味央巷), the Group relaunched the Jianning • Weiyang Building (建寧•味央樓) at Zhuzhou Aoyuan Plaza* (株洲奧園廣場) in 2021. The trial operation period was well recognised by consumers and industry organisations, demonstrating that the Group has achieved initial success in building a China trend product line in its commercial management sector. It has also helped to drive the development of the commercial district and enhance the asset value of the commercial projects in multiple dimensions.

In addition, while relying on the advantage of resources integration and team advantage to extend the value of commercial operations, the Group achieved asset value enhancement through the normalisation and marketisation of rental and sale businesses. As the erupting point of commercial management growth, its business scope includes but not limited to asset management, sales agency, business tenant sourcing agency, and intermediary agency for bulk sales and underwriting transactions.

Intelligent Community

Deriving from industry development needs, the Group launched the “Aoyuejia” (奥悦家) – “6A Smart Community Solution”, which empowers the refined management of communities. The “6A Smart Community Solution” creates “Safe”, “Convenient”, “Comfortable”, “Healthy”, “Efficient” and “Open” 6A intelligent communities with property ownership, home living and commercial services under one roof for residents in the communities, which includes video cloud, parking cloud, smart life service and other platforms providing rich content ecosystem and scene interconnection.

Relying on the middle office of the Internet of Things (“IoT”), multi-business scenario application and customer service capability, the Group continued to explore smart space solutions for communities, parks, commercial and urban services in multiple formats and scenarios, and applied the technology of Artificial intelligence of Things to improve service efficiency in multiple dimensions and build a new ecology for digital space.

“Aoyuejia” (奥悦家), an online platform, builds a healthy and happy life ecosystem in the Aoyuan communities to meet the diverse needs of residents and tenants in the residential and commercial communities under the Group’s management and enhances the experience of the property owners. Property owners can make house payments, interact, request for repair, make parking payments, launch complaints, make consultation and others through the online platform, and use the information service technology and IoT technology to strengthen resources integration and internal control. As at 31 December 2021, the “Aoyuejia” (奥悦家) mobile application covers several residential and commercial properties managed by the Group, with a great number of registered property owners.

General Health and Wellness Business

The Group intensified the development of its general health and wellness business. By intensively applying the two ecosystems of “Lives in Properties and Commercial Complex” and leveraging the intelligent service management platform system, it provides services such as digitalised health management, smart health terminal application, dynamic sports and fitness, so as to better serve the property owners in realizing multi-dimensional linkage of high-quality service resources.

The Group is committed to building a friendly community for all age groups and providing ubiquitous health services. In 2021, more than 80 fun games were held for parent-child families, and parents and children were encouraged to participate in online fun running and offline competitions to promote their health. It provided services such as birthday parties, free physical examinations, and door-to-door care for the elderly in the communities, and encouraged the elderly to participate in community activities and enrich their spiritual and cultural lives. The healthy and beautiful life services provided by the Group have been recognised by the property owners and the industry, and have been reported by authoritative media such as People’s Daily (人民日報), CCTV (中央電視台), Nanfang Daily* (南方日報) and Guangdong Television (廣東電視台) on many occasions during the Year.

While focusing on the development of property management services and commercial operation services, the Group has been evaluating the performance and prospects of the general health and wellness industry, and constantly exploring other business opportunities. In 2021, the Group acquired the 70% of the issued share capital in Masterwin Developments Limited which holds the entire issued share capital of an AI-driven healthcare company based in both the PRC and the United States of America focusing on commercialising early cancer detection tests through DNA methylation. After the commercialising of the cancer detection and test items, it can be widely used, including community health examinations, which will create synergy with the existing businesses of the Group, maintain the Group's growth and development, and maximise returns for the Group and its shareholders.

II. OUTLOOK

In 2022, facing the uncertainties brought by Coronavirus Disease 2019 (“COVID-19”) pandemic, the global economic growth is likely to remain weaker than expected. However, as the overall situation improves under the macro policies and factors curbing growth dissipate gradually, the PRC economy will still be able to maintain its recovery and transform towards domestic demand-driven development. The consumption base of the PRC still remains stable, with stabilising market and expectations as the core policy objectives. On the basis of ensuring our own sound operation and healthy cash flow, the Group will achieve cost reduction and efficiency enhancement through optimising organisational management and standardising cost control. The Group will focus on property management as well as commercial operation marketisation and industry expansion, continue to seek business opportunities in the general health and wellness business related industries and explore cooperation opportunities in high-quality commercialised assets.

With continuous implementation of macro control on real estate market, the era of efficiency and competition is imminent, which means projects developed during the high-speed development stage in the past will witness a peak delivery wave in the coming years. At present, the property management service industry generates stable revenue and profit and continues to expand its market size under the successive support of different national policies, implying that it still possesses an enormous potential for value growth.

The Group will adhere to the thirteen-word strategic policy of “Embracing Healthy and Sound Development, Focusing on Principal Business, Reshaping Intrinsic Production Capacity” and follow the national development strategy of “New Urbanisation” and urban renewal process. The Group will take urban space operations, industrial and economic support development, and community livelihood services as expansion segments to achieve a dual-growth in scale and profit, and explore the potential industry value intensively through innovative services and differentiated expansion strategies. The Group will also further upgrade and cultivate a sophisticated team for external market expansion, persist in improving residential property management and proactively develop airports, industrial parks (towns), commercial complexes, office properties, urban public construction and other projects.

At the same time, the Group will continue to develop value-added service businesses focusing mainly on living services, so as to enhance service quality and improve customer service experience. The Group will achieve differentiated breakthrough to meet the goals of increasing revenue, expanding market share and maximising profitability in value-added services through professional and precise understanding of the needs of property owners and consumers, coordinated deployment of available space resources, and provision of customised products and services. The value-added services include parking fee charges, coordinated public area resources management, community retailing, asset management services, asset realisation, community health services and other businesses.

In future, the Group will maintain stable operation, explore development opportunities in property management and commercial operations, constantly enriching its service businesses and expanding its service footprint.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was mainly derived from property management services and commercial operational services. For the Year, the Group's total revenue was approximately RMB1,941.7 million, representing an increase of approximately RMB526.1 million or approximately 37.2% as compared to that of approximately RMB1,415.6 million for the year ended 31 December 2020 (the "Previous Year" or "2020"). Revenue generated from property management services, commercial operational services, intelligent engineering services and general health and wellness services contributed approximately 80.8%, 14.5%, 4.1% and 0.6% to the total revenue, respectively.

The following table sets forth a breakdown of total revenue for the years indicated by business segment:

	2021		2020		Growth amount RMB'000	Growth rate %
	Revenue contribution RMB'000	%	Revenue contribution RMB'000	%		
Property management service segment	1,569,285	80.8	1,009,522	71.3	559,763	55.4
Commercial operational service segment	281,535	14.5	333,241	23.6	(51,706)	(15.5)
Intelligent engineering services	79,355	4.1	63,632	4.5	15,723	24.7
General health and wellness services	11,572	0.6	9,190	0.6	2,382	25.9
Total	1,941,747	100	1,415,585	100	526,162	37.2

Property Management Services

For the Year, the increase of revenue generated from property management services segment was approximately RMB559.8 million, or approximately 55.4%, of which the increase in the revenue generated from property management services was approximately RMB463.9 million or approximately 74.1%, the decrease in revenue generated from major owner value-added services of approximately RMB50.9 million or approximately 21.8%, and increase in revenue generated from community value-added services of approximately RMB146.7 million or approximately 98%. The increase of revenue generated from property management services was mainly due to the increase in the chargeable GFA under management from approximately 41.4 million sq.m. to approximately 48.8 million sq.m.. The decrease of revenue generated from major owner value-added services was mainly due to the decrease in number of pre-sale display units and sales offices for which we provided services. The increase of revenue generated from community value-added services was mainly due to the diversified supporting services provided by the Group in communities, such as heating services, household services, home delivery and medical.

The following table sets forth the breakdown of revenue from the property management service segment by service category for the years indicated:

	2021		2020		Growth amount RMB'000	Growth rate %
	<i>Revenue contribution</i>		<i>Revenue contribution</i>			
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>		
Property Management service segment						
Property management services	1,090,086	69.5	626,184	62.0	463,902	74.1
Major owner value-added services	182,688	11.6	233,556	23.1	(50,868)	(21.8)
Community value-added services	296,511	18.9	149,782	14.9	146,729	98.0
Total	<u>1,569,285</u>	<u>100</u>	<u>1,009,522</u>	<u>100</u>	<u>559,763</u>	<u>55.4</u>

The following table sets forth the breakdown of the chargeable GFA under management as at the dates indicated and total revenue generated from provision of property management services under the property management service segment for the years indicated by type of property developers:

	As at/for the year ended 31 December					
	2021			2020		
	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %
China Aoyuan Group and its related parties ^(Note)	23,253	636,583	58.4	18,780	466,462	74.5
Third-party property developers	25,535	453,503	41.6	22,614	159,722	25.5
Total	<u>48,788</u>	<u>1,090,086</u>	<u>100.0</u>	<u>41,394</u>	<u>626,184</u>	<u>100.0</u>

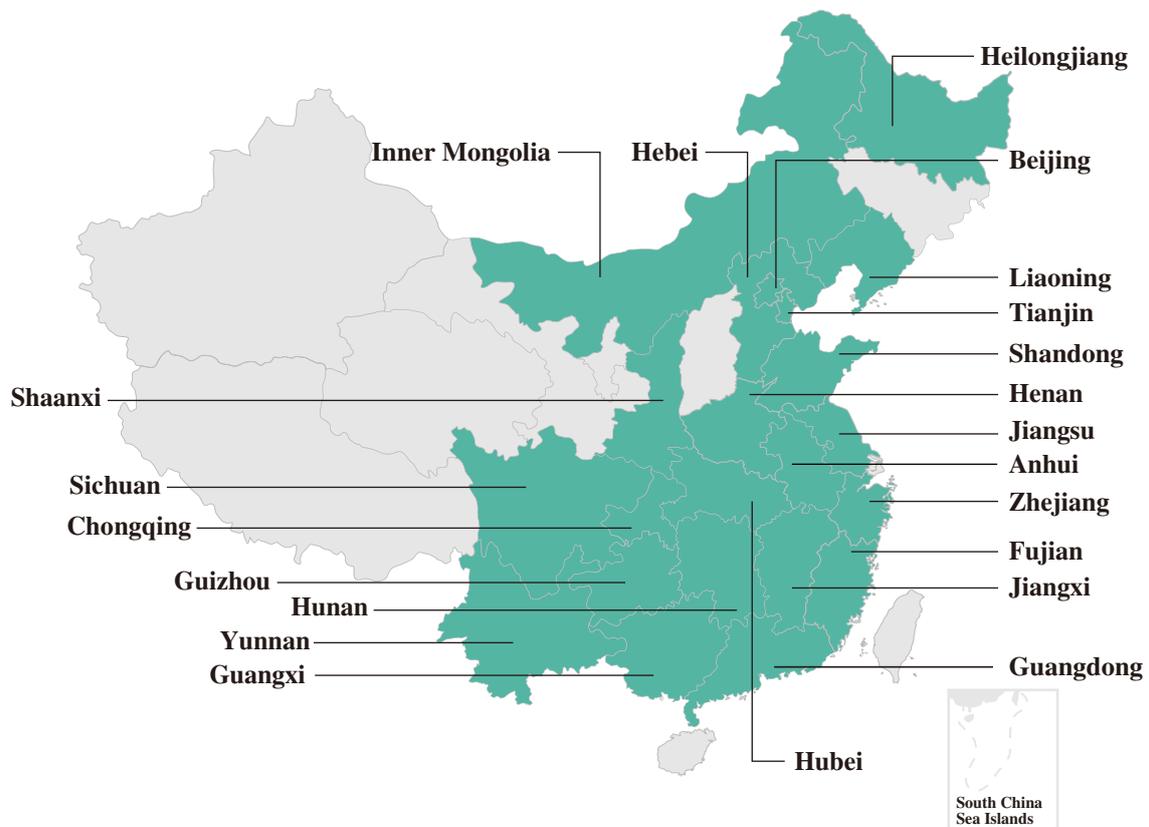
Note: Related parties of the China Aoyuan Group include the China Aoyuan Group's joint ventures and associates.

The following table sets forth the breakdown of the changes in the chargeable GFA under management for the year ended 31 December 2021 by type of property developers:

	Chargeable GFA under management as at 1 January 2021 (<i>'000 sq.m.</i>)	Increase for the period (<i>'000 sq.m.</i>)	Decrease for the period (<i>'000 sq.m.</i>)	Chargeable GFA under management as at 31 December 2021 (<i>'000 sq.m.</i>)
China Aoyuan Group and its related parties	18,780	4,585	112	23,253
Third-party property developers	22,614	6,834	3,913	25,535
Total	<u>41,394</u>	<u>11,419</u>	<u>4,025</u>	<u>48,788</u>

Geographic Presence

The following map illustrates the location of the properties under the Group's management and properties contracted to be managed by the Group as at 31 December 2021:



The following table sets forth the breakdown of the chargeable GFA under management as at the dates indicated and total revenue generated from the property management service segment for the periods indicated by geographic regions:

	As at/for the year ended 31 December					
	2021			2020		
	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %
South China ⁽¹⁾	13,105	622,094	39.6	10,698	481,411	47.7
Southwest China ⁽²⁾	5,752	162,512	10.3	3,489	138,583	13.7
East China ⁽³⁾	8,226	211,105	13.5	6,056	144,061	14.3
Central and North China ⁽⁴⁾	19,426	506,128	32.3	19,593	205,354	20.3
Northeast China ⁽⁵⁾	2,279	67,446	4.3	1,558	40,113	4.0
Total	<u>48,788</u>	<u>1,569,285</u>	<u>100.0</u>	<u>41,394</u>	<u>1,009,522</u>	<u>100.0</u>

Notes:

- (1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (2) Southwest China comprises Chongqing Municipality, Sichuan, Yunnan, Guizhou and Shaanxi Provinces.
- (3) East China comprises Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces.
- (4) Central and North China comprises Hunan, Hubei, Hebei, Henan Provinces, Inner Mongolia Autonomous Region, Beijing Municipality and Tianjin Municipality.
- (5) Northeast China comprises Liaoning and Heilongjiang Provinces.

COMMERCIAL OPERATIONAL SERVICES

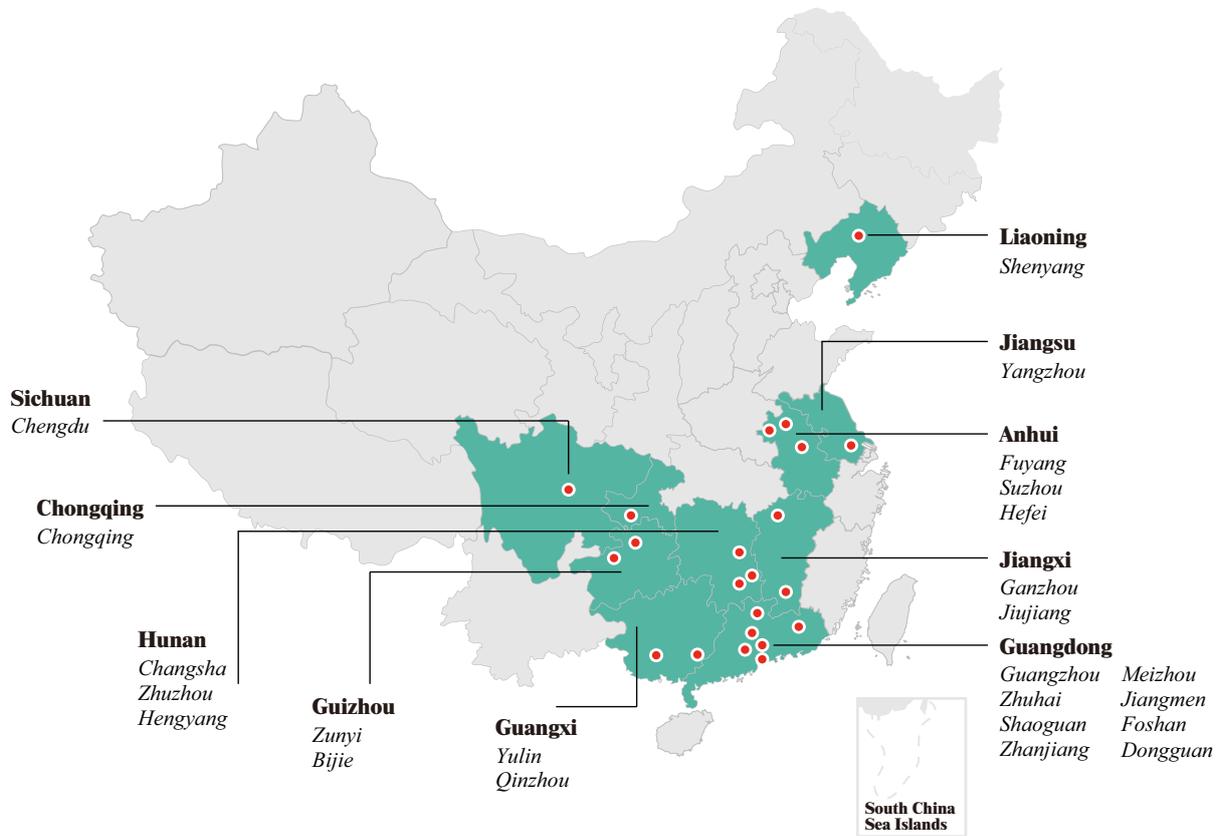
For the Year, the revenue generated from commercial operational service segment decreased by approximately RMB51.7 million or approximately 15.5% as compared with the Previous Year, which was mainly due to the increase in revenue generated from commercial operation and management services of approximately RMB26.5 million or approximately 12.8% and the decrease in revenue generated from market positioning and business tenant sourcing services of approximately RMB78.2 million or approximately 61.4% as compared with the Previous Year. The decrease in revenue generated from market positioning and business tenant sourcing services was mainly due to the decrease in preliminary research and business tenant sourcing services provided by us during the Year.

The following table sets forth the breakdown of revenue generated from commercial operational service segment by service category for the years indicated:

	2021		2020		Growth amount	Growth rate
	<i>Revenue contribution</i>		<i>Revenue contribution</i>			
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Commercial operational service segment						
- Commercial operation and management services	232,421	82.6	205,969	61.8	26,452	12.8
- Market positioning and business tenant sourcing services	49,114	17.4	127,272	38.2	(78,158)	(61.4)
Total	<u>281,535</u>	<u>100.0</u>	<u>333,241</u>	<u>100.0</u>	<u>(51,706)</u>	<u>(15.5)</u>

Geographic Presence

The following map illustrates the location of the shopping malls under the Group's management and shopping malls contracted to be managed by the Group as at 31 December 2021:



The following table sets forth the breakdown of revenue generated from the commercial operational service segment for the years indicated by geographic regions:

	2021		2020	
	<i>RMB'000</i>	<i>Revenue contribution %</i>	<i>RMB'000</i>	<i>Revenue contribution %</i>
South China ⁽¹⁾	196,656	69.8	221,129	66.4
Southwest China ⁽²⁾	47,569	16.9	49,403	14.8
East China ⁽³⁾	30,357	10.8	49,956	15.0
Central and Northeast China ⁽⁴⁾	6,953	2.5	12,753	3.8
Total	<u>281,535</u>	<u>100.0</u>	<u>333,241</u>	<u>100.0</u>

Notes:

- (1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (2) Southwest China comprises Chongqing Municipality, Sichuan Province and Guizhou Province.
- (3) East China comprises Jiangxi Province, Jiangsu Province and Anhui Province.
- (4) Central and Northeast China comprises Hunan Province and Liaoning Province.

Intelligent Engineering Segment

For the Year, the revenue generated from intelligent engineering segment increased by approximately RMB15.7 million or approximately 24.7% as compared with the Previous Year, which was mainly due to the new services provided by the Group to major owners including intelligent community construction and planning services, such as smart home transformation engineering and parking intelligentisation.

	2021		2020		Growth amount <i>RMB'000</i>	Growth rate %
	<i>RMB'000</i>	<i>Revenue contribution %</i>	<i>RMB'000</i>	<i>Revenue contribution %</i>		
Intelligent engineering services	77,717	97.9	47,051	73.9	30,666	65.2
Sales of software and hardware	1,638	2.1	16,581	26.1	(14,943)	(90.1)
Total	<u>79,355</u>	<u>100.0</u>	<u>63,632</u>	<u>100.0</u>	<u>15,723</u>	<u>24.7</u>

General Health and Wellness Business Segment

For the Year, the revenue generated from general health and wellness business segment increased by approximately RMB2.4 million or approximately 25.9% as compared with the Previous Year, which was mainly due to new healthcare project planning and consulting services and care services provided by the Group to major owners and the elderly in the communities, as well as provision of nucleic acid testing services for anti-epidemic purpose and sales of anti-epidemic products.

COST OF SERVICES

The Group's cost of services primarily consists of (i) labour costs mainly incurred from the security services, house-keeping services, labour outsourcing, maintenance services and cleaning and gardening services; (ii) maintenance costs; (iii) utility expenses; (iv) marketing and promotion expenses; and (v) materials and consumables.

Cost of services increased by approximately RMB545.3 million from approximately RMB926.9 million for the Previous Year to approximately RMB1,472.2 million for the Year. Such increase was primarily attributable to (i) the increase in labour outsourcing cost and cleaning and gardening services expenses of approximately RMB337.4 million as the Group employed more employees, security staff and house-keeping services staff to cope with our business expansion; (ii) the increase in maintenance costs of approximately RMB50.0 million due to the major maintenance works performed for certain property management projects; and (iii) the increase in utility expenses for projects under management of approximately RMB54.1 million due to business expansion.

GROSS PROFIT AND GROSS PROFIT MARGIN

For the Year, the gross profit of the Group was approximately RMB469.6 million, representing a decrease of approximately RMB19.1 million or approximately 3.9% as compared to approximately RMB488.7 million for the Previous Year. In 2021, the gross profit margin was approximately 24.2%, representing a decrease of approximately 10.3% as compared to the gross profit margin of approximately 34.5% in 2020, which was mainly due to (i) the acquisition of one property management company in 2021, which has expanded the Group's property management services in North and Northeast China. Property management services in North and Northeast China usually have lower gross profit margin compared with the Group's gross profit margin of the overall property management services; (ii) the higher labour costs and maintenance costs for public area facilities and expanded management radius; and (iii) the decrease in the Group's early business tenant sourcing and research and development business with higher gross profit due to the epidemic, resulting a lower overall gross profit of the Group. The Group will continue to promote refined management and endeavour to improve the economic efficiency in the coming years. In 2021, the gross profit of the Group's property management service segment was approximately RMB362.9 million and the gross profit margin was approximately 23.1%; the gross profit of commercial operational service segment was approximately RMB96.8 million and the gross profit margin was approximately 34.4%.

SELLING AND DISTRIBUTION EXPENSES AND ADMINISTRATIVE EXPENSES

The Group's selling and distribution expenses primarily consist of (i) advertising expenses; (ii) salaries and allowances for our sales personnel; and (iii) office expenses, travelling expenses and business development expenses. The total selling and distribution expenses of the Group for 2021 were approximately RMB5.8 million.

The Group's administrative expenses and other expenses primarily consist of (i) salaries and allowances for our administrative and management personnel in our headquarters; (ii) travelling expenses; (iii) professional fees; (iv) rental expenses; and (v) office expenses.

For the Year, the administrative expenses of the Group were approximately RMB188.8 million, representing an increase of approximately RMB32.5 million or approximately 20.8% as compared to approximately RMB156.3 million for the Previous Year. Such increase was mainly due to the increase in administrative expenses as a result of the expansion of business scale, additional professional fees related to the acquisition of one property management company and their additional administrative expenses after the said acquisition.

OTHER INCOME, GAINS AND LOSSES

For the Year, other income, gains and losses of the Group amounted to a net gain of approximately RMB30.6 million, representing an increase of approximately RMB2.4 million or approximately 8.5% as compared to the net gain of approximately RMB28.2 million for the Previous Year, which was primarily attributable to (i) an increase of net exchange gain of approximately RMB2.9 million; (ii) an increase of government subsidy of approximately RMB11.8 million; (iii) an increase of impairment losses on deferred contract costs of approximately RMB10.2 million; (iv) an increase of loss on disposal of subsidiaries of approximately RMB6.4 million; and (v) an increase of bank interest income of approximately RMB4.1 million.

Income Tax Expense

For the Year, the income tax of the Group was approximately RMB23.0 million, representing a decrease of approximately RMB49.6 million as compared to approximately RMB72.6 million for the Previous Year, which was mainly due to the increase of deferred income tax assets resulting from the increase of the Group's provision for various impairment losses.

Loss for the Year

For the Year, the net loss of the Group was approximately RMB197.3 million as compared to the net profit of approximately RMB253.7 million for the Previous Year. Loss attributable to equity shareholders of the Company was approximately RMB190.9 million for the Year, as compared to profit attributable to equity shareholders of the Company of approximately RMB251.1 million for the Previous Year. The net loss recorded by the Group in 2021 was mainly due to changes in the environment of the real estate market, impairment losses on goodwill and significant expected credit impairment losses on trade and other receivables, amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries and related parties, provided by the Group.

FINANCIAL POSITION

As at 31 December 2021, the total assets of the Group were approximately RMB2,293.2 million (as at 31 December 2020: approximately RMB2,652.7 million), and the total liabilities were approximately RMB1,497.1 million (as at 31 December 2020: approximately RMB1,572.7 million). As at 31 December 2021, the current ratio was 1.20 (as at 31 December 2020: 1.34).

As at 31 December 2021, the net assets of the Group were approximately RMB796.1 million (as at 31 December 2020: approximately RMB1,080.0 million).

Property, Plant and Equipment

The Group's property, plant and equipment consist of buildings, office equipment, motor vehicles and leasehold improvements. The Group's property, plant and equipment decreased by approximately 14.9% to approximately RMB37.1 million as at 31 December 2021, primarily attributable to decrease in normal amortisation.

Right-of-use Assets

The right-of-use assets of the Group mainly included lease right-of-use assets. The Group's right-of-use assets decreased from approximately RMB29.0 million as at 31 December 2020 to approximately RMB23.6 million as at 31 December 2021 primarily due to decrease in normal amortisation.

Intangible Assets

The Group's intangible assets represent the property management contracts obtained upon the acquisition of other property management companies. The Group's intangible assets increased from approximately RMB75.3 million as at 31 December 2020 to approximately RMB91.9 million as at 31 December 2021, primarily due to the new acquisition of one property management company during the Year.

Goodwill

The Group's goodwill represents the difference between the total consideration for the acquisitions of Anhui Hanlin Property Services Company Limited (安徽瀚林物業服務有限公司), Shenzhen Huazhong Property Management Company Limited (深圳華中物業管理有限公司), Ningbo Hongjian Management Services Co., Ltd. (寧波宏建物業服務有限公司), Easy Life Smart Community Services Group Co., Ltd. (樂生活智慧社區服務集團股份有限公司) (“**Easy Life**”) and Beijing Boan Property Management Co., Ltd. (北京博安物業服務有限公司) and their respective total identifiable net assets as at the respective acquisition dates. As at 31 December 2021, the Group's goodwill decreased by approximately RMB75.0 million as compared with 31 December 2020, mainly due to the changes in environment of the real estate market, the impairment loss on goodwill provided by the Group of approximately RMB131.8 million and additional goodwill of approximately RMB56.8 million arising from the acquisition of a property management company.

Trade and Other Receivables

As at 31 December 2021, the Group's total trade and other receivables was approximately RMB493.9 million, which increased by approximately RMB134.2 million as compared to approximately RMB359.7 million as at 31 December 2020, which is mainly due to (i) the increase in the project under management under the property management service segment of the Group and expansion of business; and (ii) increase in the number of newly opened shopping malls.

Amounts Due from Non-controlling Shareholders of Subsidiaries, Fellow Subsidiaries, Related Parties, Joint Ventures and Associates

The Group's amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries, related parties, joint ventures and associates decreased from approximately RMB153.5 million as at 31 December 2020 to approximately RMB26.2 million as at 31 December 2021, mainly due to impairment provision of expected credit loss with fellow subsidiaries, associate and related parties.

Trade and Other Payables

As at 31 December 2021, the Group's trade and other payables was approximately RMB729.9 million, representing an increase of approximately RMB134.3 million or approximately 22.5% as compared to that of approximately RMB595.6 million as at 31 December 2020, mainly due to the increase of receipts on behalf of residents and deposits received from the acquisition of one property management company by the Group, the increase in GFA under management and more services subcontracted to independent third party service providers.

Bank Borrowings

As at 31 December 2021, the Group had (i) outstanding bank loans of approximately RMB386.6 million; and (ii) unutilised banking facilities for short term financing of approximately RMB180.0 million. Our bank borrowings carried at fixed interest rate ranging from 4.35% to 6.15% (2020: ranging from 4.35% to 6.00%) per annum and guaranteed by certain subsidiary of the Group or certain fellow subsidiaries, in which bank borrowings of approximately RMB154.6 million and RMB30.0 million were pledged by equity interests in certain subsidiaries and bank deposits of approximately RMB3.0 million respectively.

Lease Liabilities

As at 31 December 2021, lease liabilities of the Group due within one year were approximately RMB4.1 million and the balance of lease liabilities due above one year was approximately RMB21.9 million.

Contingent Liabilities

As at 31 December 2021, we did not have any material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated based on the total liabilities divided by the total assets. Gearing ratio of the Group was 0.59 as at 31 December 2020 and 0.65 as at 31 December 2021.

Asset Pledge

As at 31 December 2021, no asset of the Group was pledged, except for the pledge of equity in certain subsidiaries and bank deposits of RMB3.0 million to obtain bank borrowings.

Proceeds from the Listing

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 18 March 2019 (the “**Listing**”) and issued 175,000,000 new shares. On 2 April 2019, the over-allotment option was fully exercised to allot 26,250,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing and the over-allotment option amounted to approximately HK\$577.0 million and HK\$93.7 million (approximately RMB493.1 million and RMB80.1 million, respectively). As of the date of this announcement, the Group has utilised approximately RMB436.8 million of the capital raised, of which approximately RMB333.2 million was used to acquire or invest in other commercial operational services and property management services providers; approximately RMB33.5 million was used to acquire or invest in service providers (providing services complementary to the Group’s commercial operational services and property management services); approximately RMB10.2 million was used to develop and upgrade our O2O platforms; approximately RMB2.6 million was used to develop intelligent service systems and upgrade our internal IT system; and approximately RMB57.3 million was

used for working capital and general corporate purposes. All unutilised net proceeds as at the date of this announcement, which amounted to approximately RMB136.4 million, will be used to pursue strategic acquisition and investment opportunities to acquire or invest in other commercial operational service and property management service providers to achieve our business strategies of scaling up our commercial operational service business and expanding our property management service portfolio.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2021, the Group had 3,753 employees. The staff cost was approximately RMB505.3 million for the Year. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. Pursuant to the relevant laws and regulations in the PRC, the Group provides contributions to social insurance in China (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance) and housing provident funds for our employees in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES AND SIGNIFICANT INVESTMENT

On 17 December 2021, the Group entered into a sale and purchase agreement to acquire 70% of the issued share capital in of Masterwin Developments Limited at the consideration of approximately RMB78.7 million. The entering into of the said sale and purchase agreement constituted a connected transaction of the Company under Chapter 14A of the Listing Rules and was exempt from the circular (including independent financial advice) and the shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. Details relating to the acquisition of Masterwin Developments Limited were disclosed in the announcements of the Company dated 17 December 2021 and 13 January 2022.

Save as disclosed in this announcement, there was no other material acquisition or disposal of subsidiaries, associates and joint ventures during the Year, nor was there any significant investment or plan authorised by the Board for material investment or addition of capital assets as at 31 December 2021.

ANNUAL GENERAL MEETING

The 2022 annual general meeting of the Company was held on 24 August 2022. Due to the delay in the publication of the audited consolidated financial statements of the Group and the reports of the Directors and of the independent auditor for the year ended 31 December 2021, the resolution to receive, consider and adopt the aforesaid documents will be transacted in the adjourned annual general meeting of the Company. Details of the adjourned annual general meeting of the Company will be announced in due course.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2021 (2020: final dividend of RMB0.14 per share).

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

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

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the date of this announcement.

AUDIT COMMITTEE

During the Year, the audit committee of the Company (the "**Audit Committee**") comprised of Mr. Hung Ka Hai Clement (chairman), Dr. Li Zijun and Mr. Wang Shao. The audit committee, together with the Board, have reviewed the annual results, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2021.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards.

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

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 - Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has also in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the year ended 31 December 2021, the Company has complied with all the code provisions as set out in the CG Code, except for code provision C.1.6 and F.2.2.

Code provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Code provision F.2.2 stipulates that the chairman of the board should attend annual general meetings.

Mr. Ruan Yongxi, Dr. Li Zijun and Mr. Wang Shao (all being independent non-executive Directors) and Mr. Guo Zining, the then chairman of the Board, were not able to attend the annual general meeting and the extraordinary general meeting of the Company held on 25 May 2021 and 6 August 2021, respectively. However, the non-executive Directors and independent non-executive Directors who were absent had shared their views before the general meetings and there were other Directors attending the general meetings for gaining and developing a balanced understanding of views of shareholders.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct (the “**Code of Conduct**”) for its Directors dealing in securities of the Company. The Company has made specific enquiry to all the Directors and all the Directors have confirmed that they have complied with the Model Code and the Code of Conduct throughout the Year.

UPDATED INFORMATION OF DIRECTOR PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

During the Year:

Mr. Miao Sihua (“**Mr. Miao**”) tendered his resignation and ceased to act as the executive Director with effect from 7 January 2021 due to his other work commitments. Mr. Miao was redesignated as a senior adviser of the Company following his resignation as an executive Director.

Mr. Zheng Wei was appointed as an executive Director with effect from 7 January 2021 and was appointed as the president of the Group with effect from 27 January 2021.

Mr. Su Bo resigned as the president of the Group with effect from 27 January 2021 and continued to serve as the executive president of the Group.

Mr. Chen Zhibin tendered his resignation and ceased to act as the non-executive Director with effect from 29 January 2021.

Mr. Ruan Yongxi was appointed as a non-executive Director with effect from 29 January 2021.

Mr. Tao Yu (“**Mr. Tao**”) has tendered his resignation and ceased to act as the executive Director with effect from 25 November 2021. Mr. Tao was redesignated as the vice president of the Group following his resignation as an executive Director.

Mr. Cheng Siu Fai has been appointed as an executive Director with effect from 25 November 2021.

Save as disclosed above, after all reasonable inquiries, the Board is not aware of any information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules during the Year.

EVENTS AFTER THE REPORTING PERIOD

Suspension of trading

On 25 March 2022, the Audit Committee received a letter from Deloitte, the then auditor of the Company, requesting for additional information on certain fund flows with related parties of the Group (the “**Fund Flow Matters**”), a summary of which is set out as follows:

- (i) a fund transfer of RMB350 million between the Group and the Parent Group (that is, China Aoyuan Group Limited (“**China Aoyuan**”) and its subsidiaries (excluding the Group)) in December 2021 (the “**Fund Flow Matter 1**”);
- (ii) a fund transfer of RMB50 million in December 2021 in connection with a potential acquisition of land in Guangzhou (the “**Fund Flow Matter 2**”);
- (iii) two separate payments in amounts of approximately RMB347.5 million and approximately RMB148.6 million made by the Group to a supplier of China Aoyuan in December 2021 in accordance with a tri-partite agreement among the Group, China Aoyuan and the said supplier of China Aoyuan (the “**Fund Flow Matter 3**”); and
- (iv) certain non-trade cash inflows and outflows of approximately RMB2.8 billion and approximately RMB2.9 billion, respectively between the Group and the Parent Group during 2021 (the “**Fund Flow Matter 4**”).

Partly due to the Fund Flow Matters and partly due to the preventive and control measures implemented in the PRC in connection with the COVID-19 pandemic which disrupted the progress of sorting and collecting financial data, the audit of the annual results for the year ended 31 December 2021 was delayed and the Company was unable to publish the annual results announcement of the Group for the year ended 31 December 2021 on or before 31 March 2022 in accordance with Rule 13.49(1) of the Listing Rules and despatch the 2021 annual report to its shareholders on or before 30 April 2022 in accordance with Rule 13.46(2) (a) of the Listing Rules.

Trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 1 April 2022 as required under Rule 13.50 of the Listing Rules.

On 30 March 2022, the Board resolved to establish an independent investigation committee (the “**Independent Investigation Committee**”), comprising all three independent non-executive Directors, namely Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao, to undertake the investigations to assess the Fund Flow Matters. Please refer to the announcement of the Company dated 30 March 2022 for details.

On 13 April 2022, the Audit Committee received from Deloitte another letter, which set out certain allegations made anonymously against the Group (the “**Allegations**”). Please refer to the announcement of the Company dated 2 June 2022 for details of the Allegations.

On 27 April 2022, the Independent Investigation Committee engaged an independent and competent forensic accounting firm (the “**Investigation Firm**”) to conduct independent investigations into the Fund Flow Matter 1, the Fund Flow Matter 2 and the Allegations.

Deloitte requested the Company to pay additional audit fee for the annual results for the year ended 31 December 2021 for additional audit procedures to be performed in view of the Fund Flow Matters and the Allegations. As the Company did not agree to pay such additional audit fee, Deloitte resigned as the auditor of the Company with effect from 31 May 2022. With the recommendation of the Audit Committee, the Board resolved to appoint Zhonghui Anda CPA Limited as the auditor of the Company with effect from 2 June 2022.

On 27 June 2022, the Company received a letter from the Stock Exchange setting out the resumption guidance for the resumption of trading in the shares of the Company. Please refer to the announcement of the Company dated 30 June 2022 for details.

Since the Investigation Firm was conducting investigations and preparing its reports on its findings on the Fund Flow Matter 1, the Fund Flow Matter 2 and the Allegations, the publication/despatch of the annual results announcement and report for the year ended 31 December 2021 remained pending, and as a result of which the publication/despatch of the interim results announcement and report for the six months ended 30 June 2022 were also delayed. The Company was unable to publish the interim results announcement of the Group for the six months ended 30 June 2022 on or before 30 August 2022 in accordance with Rule 13.49(6) of the Listing Rules and despatch the 2022 interim report to its shareholders on or before 30 September 2022 in accordance with Rule 13.48(1) of the Listing Rules.

On 3 October 2022, the Investigation Firm finalised and issued two investigation reports in relation to (a) the Fund Flow Matter 1 and the Fund Flow Matter 2 (the “**Fund Flow Matters’ Investigation Report**”) and (b) the Allegations (the “**Allegations’ Investigation Report**”, together with the Fund Flow Matters’ Investigation Report, the “**Investigation Reports**”), respectively. The Independent Investigation Committee reviewed and submitted the Investigation Reports, together with the opinion of the Independent Investigation Committee to the Board for approval on 3 October 2022. For details in relation to (i) the major procedures executed and the major limitations encountered by the Investigation Firm in its independent investigations in relation to the Fund Flow Matter 1, the Fund Flow Matter 2 and the Allegations; (ii) the key findings of the Independent Firm in relation to the Fund Flow Matter 1, the Fund Flow Matter 2 and the Allegations; (iii) the key findings of the Independent Investigation Committee in relation to the Fund Flow Matter 3 and the Fund Flow Matter 4; (iv) other findings of the Investigation Firm; and (v) views of the Independent Investigation Committee and the Board on the Investigation Reports, please refer to the announcement of the Company dated 3 October 2022.

As instructed by the Independent Investigation Committee, the Investigation Firm conducted an independent supplemental investigation into the Fund Flow Matter 4, which is mainly about the non-trade fund inflow(s) and outflow(s) between the Group and the Parent Group during the financial year of 2021, in order to address any concerns that the Stock Exchange may have. The Investigation Firm issued the supplemental investigation report on 31 March 2023. For key findings of the Investigation Firm on the Fund Flow Matter 4 and other relevant information, please refer to the announcement of the Company dated 31 March 2023.

In response to the deficiencies in the Group's corporate governance and internal control system identified during the independent investigations and in order to prevent the reoccurrence of similar incidents in the future, the Group engaged an internal control consultant (the "IC Consultant") to assess the internal controls of the Group in two phases. In the first phase, the IC Consultant identified findings on deficiencies in the internal control system of the Group and provided improvement suggestions for the management's consideration and action. In the second phase, the IC Consultant reviewed and reported on the status of the remedial actions taken by the management in response to the key findings. For details, please refer to the announcement of the Company dated 13 January 2023. The Company will engage the IC Consultant to conduct a follow-up sample checking and assessment of the latest implementation status of remedial measures in relation to the internal control findings and announce as and when appropriate if there are any material findings from the follow-up internal control assessment. The Company is also actively considering to appoint a compliance advisor in the future for consultation of compliance with the Listing Rules and strengthening the internal controls of the Group.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by ZHONGHUI ANDA CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no opinion and assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuanjksh.com). The annual report of the Company for the Year containing all the information required by the Listing Rules will be despatched to the Company's shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 April 2022 and will remain suspended until further notice.

By Order of the Board
Aoyuan Healthy Life Group Company Limited
Cheng Siu Fai
Executive Director

Hong Kong, 4 May 2023

* *In this announcement, the English names are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the executive Director is Mr. Cheng Siu Fai; the non-executive Directors are Mr. Ruan Yongxi and Mr. Zhu Yunfan; and the independent non-executive Directors are Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao.