合景悠活
KWG LIVING

KWG Living Group Holdings Limited
合 景 悠 活 集 團 控 股 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2021 AND (2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

(1) SUMMARY OF ANNUAL RESULTS

- Revenue for the year ended 31 December 2021 amounted to approximately RMB3,255.4 million, representing a year-on-year increase of 114.6%.
- Gross profit for the year ended 31 December 2021 amounted to approximately RMB1,226.1 million, representing a year-on-year increase of 92.0%.
- Profit for the year ended 31 December 2021 amounted to approximately RMB684.3 million, representing a year-on-year increase of 111.4%.
- The basic and diluted earnings per share for the year ended 31 December 2021 were RMB33 cents, representing a year-on-year increase of 73.7%.
- As at 31 December 2021, the aggregate GFA under management amounted to approximately 206.1 million sq.m., the aggregate contracted GFA amounted to approximately 277.9 million sq.m., representing a year-on-year increase of 395.4% and 420.4% respectively.
- The Board recommended a final dividend of RMB12 cents per ordinary share for the year ended 31 December 2021.

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to reflect and align with the new requirements under the amendments on the Listing Rules with effect from 1 January 2022, the Board proposed to put forward to the Shareholders for approval at the 2022 AGM a special resolution to amend the Articles of Association and to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association.

(1) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

The board (the "**Board**") of directors (the "**Directors**") of KWG Living Group Holdings Limited (the "**Company**" or "**we**" or "**KWG Living**") is pleased to announce its consolidated results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2021, together with the comparative figures for the year ended 31 December 2020, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
REVENUE	4	**3,255,446**	1,517,227
Cost of sales		**(2,029,338)**	(878,679)
Gross profit		**1,226,108**	638,548
Other income and gains	5	**26,606**	11,548
Selling and distribution expenses		**(4,795)**	(1,987)
Administrative expenses		**(333,176)**	(193,563)
Other expenses, net		**(22,842)**	(10,514)
Finance costs		**(261)**	(317)
Share of profit and loss of:			
A joint venture		**(836)**	—
An associate		**1,949**	1,911
PROFIT BEFORE TAX	6	**892,753**	445,626
Income tax expense	7	**(208,436)**	(121,937)
PROFIT FOR THE YEAR		**684,317**	323,689
Attributable to:			
Owners of the parent		**674,843**	323,083
Non-controlling interests		**9,474**	606
		684,317	323,689
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic and diluted (express in RMB cents per share)	8	**33**	19

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2021

	2021 *RMB'000*	2020 *RMB'000*
PROFIT FOR THE YEAR	**684,317**	323,689
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**23,473**	163
Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**(69,322)**	(73,806)
OTHER COMPREHENSIVE LOSS FOR THE YEAR	**(45,849)**	(73,643)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**638,468**	250,046
Attributable to:		
Owners of the parent	**628,994**	249,440
Non-controlling interests	**9,474**	606
	638,468	250,046

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2021

	Notes	**2021**	2020
		RMB'000	*RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**8,762**	8,240
Right-of-use assets		**7,363**	6,827
Goodwill		**699,775**	260,208
Other intangible assets		**223,353**	157,856
Investment in a joint venture		**1,614**	—
Investment in an associate		**9,903**	7,954
Deferred tax assets		**18,873**	14,741
Other non-current assets		**—**	287
Other financial asset		**16,500**	—
Prepayment for acquisition of subsidiaries		**1,316,000**	—
Total non-current assets		**2,302,143**	456,113
CURRENT ASSETS			
Trade receivables	*9*	**1,062,032**	606,708
Prepayments, other receivables and other assets		**397,109**	200,942
Restricted cash		**7,189**	5,150
Cash and cash equivalents		**1,233,598**	2,959,619
Total current assets		**2,699,928**	3,772,419
CURRENT LIABILITIES			
Trade payables	*10*	**245,830**	154,465
Other payables and accruals		**857,583**	628,367
Contract liabilities	*4*	**101,967**	95,695
Lease liabilities		**6,137**	3,557
Dividend payable	*11*	**5,560**	200,000
Tax payable		**213,466**	115,922
Total current liabilities		**1,430,543**	1,198,006
NET CURRENT ASSETS		**1,269,385**	2,574,413
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,571,528**	3,030,526

	2021	2020
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**1,393**	3,172
Deferred tax liabilities	**54,249**	33,879
Total non-current liabilities	**55,642**	37,051
Net assets	**3,515,886**	2,993,475
EQUITY		
Share capital	**17,493**	17,499
Reserves	**3,449,015**	2,939,456
Equity attributable to owners of the parent	**3,466,508**	2,956,955
Non-controlling interests	**49,378**	36,520
Total equity	**3,515,886**	2,993,475

NOTES TO FINANCIAL STATEMENTS

31 December 2021

1. CORPORATE AND GROUP INFORMATION

General information

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The Company's shares became listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020.

The Company is an investment holding company. During the year ended 31 December 2021, the Group was involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the immediate and ultimate holding company of the Company was Plus Earn Consultants Limited, which was incorporated in the British Virgin Island ("**BVI**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2021. 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).

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 consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

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 assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	*Interest Rate Benchmark Reform — Phase 2*
Amendment to HKFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021* (early adopted)

The adoption of the amendments did not have any significant impact on the financial position and performance of the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 3	*Reference to the Conceptual Framework*[1]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
HKFRS 17	*Insurance Contracts*[2]
Amendments to HKFRS 17	*Insurance Contracts*[2, 5]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current*[2, 4]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[2]
Amendments to HKAS 8	*Definition of Accounting Estimates*[2]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[2]
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*[1]
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[1]
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41[1]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — comparative Information*[2]

1 Effective for annual periods beginning on or after 1 January 2022

2 Effective for annual periods beginning on or after 1 January 2023

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

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that, these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and financial position.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as follows:

(a) Residential property management services; and

(b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to management for review.

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

Year ended 31 December 2021

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Segment revenue	**1,936,591**	**1,318,855**	**3,255,446**
Segment result	**603,233**	**353,097**	**956,330**
Reconciliation:			
Unallocated operating costs			**(67,080)**
Other income and gains			**26,606**
Other expenses, net			**(22,842)**
Finance costs			**(261)**
Profit before tax			**892,753**
Income tax			**(208,436)**
Profit for the year			**684,317**

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Other segment information			
Share of profit and loss of:			
A joint venture	**—**	**(836)**	**(836)**
An associate	**—**	**1,949**	**1,949**
Depreciation of property, plant and equipment	**2,197**	**1,600**	**3,797**
Amortisation of other intangible assets			**32,369**
Depreciation of right-of-use assets			**7,645**
Impairment losses on trade receivables, net	**6,288**	**4,401**	**10,689**
Impairment losses on other receivables, net	**6,367**	**471**	**6,838**
Capital expenditure*	**3,750**	**98,681**	**102,431**
Unallocated amounts of capital expenditure			**8,276**
			110,707

Year ended 31 December 2020

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Segment revenue	1,062,367	454,860	1,517,227
Segment result	273,948	211,728	485,676
Reconciliation:			
Unallocated operating costs			(40,767)
Other income and gains			11,548
Other expenses, net			(10,514)
Finance costs			(317)
Profit before tax			445,626
Income tax			(121,937)
Profit for the year			323,689

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Other segment information			
Share of profit of an associate	—	1,911	1,911
Depreciation of property, plant and equipment	1,869	332	2,201
Amortisation of other intangible assets			22,629
Depreciation of right-of-use assets			4,441
Impairment losses on trade receivables, net	8,660	530	9,190
Impairment losses/(write-back of impairment losses) on other receivables, net	2,994	(1,972)	1,022
Capital expenditure*	11,511	92,351	103,862
Unallocated amounts of capital expenditure			3,588
			107,450

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and other intangible assets including additions from the acquisition of subsidiaries.

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

Information about major customers

For the year ended 31 December 2021 and 2020, approximately RMB1,201.0 million and RMB757.1 million of revenue were derived from KWG Group Holdings Limited and its subsidiaries (collectively the "**KWG Group**") and its joint ventures, associates and other related parties, respectively.

4. REVENUE AND CONTRACT LIABILITIES

Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services during the reporting period. An analysis of revenue is as follows:

(a) Disaggregated revenue information

	2021	2020
	RMB'000	*RMB'000*
Types of services by segment		
Residential property management services		
Pre-sale management services	**383,669**	258,921
Property management services	**948,241**	513,573
Community value-added services	**604,681**	289,873
	1,936,591	1,062,367
Non-residential property management and commercial operational services		
Pre-sale management services	**30,218**	24,794
Property management services	**1,057,253**	279,740
Commercial operational services	**133,860**	96,606
Other value-added services	**97,524**	53,720
	1,318,855	454,860
Total revenue from contracts with customers	**3,255,446**	1,517,227
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**2,553,241**	1,173,634
Revenue from contracts with customers recognised at a point in time	**702,205**	343,593
Total	**3,255,446**	1,517,227

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2021	2020
	RMB'000	*RMB'000*
Third parties	**100,175**	93,444
Related parties	**1,792**	2,251
	101,967	95,695

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2021 was mainly due to the increase in short term advances received from customers in relation to the provision of property management services at the end of the year.

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2021	2020
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	**58,385**	53,389
Non-residential property management and commercial operational services	**13,344**	19,212
	71,729	72,601

(b) Performance obligations

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

For residential property management services and non-residential property management and commercial operational services, the Group recognised revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

5. OTHER INCOME AND GAINS

	2021	2020
	RMB'000	*RMB'000*
Bank interest income	**6,042**	2,443
Government grants	**5,856**	3,519
Gain on disposal of items of property, plant and equipment, net	**134**	35
Late penalty income	**1,832**	973
Tax incentives on value-added tax	**6,268**	4,055
Realised income from wealth management financial products	**2,011**	—
Others	**4,463**	523
	26,606	11,548

6. PROFIT BEFORE TAX

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

	2021	2020
	RMB'000	*RMB'000*
Cost of services provided	**2,029,338**	878,679
Depreciation of property, plant and equipment	**3,797**	2,201
Depreciation of right-of-use assets	**7,645**	4,441
Amortisation of other intangible assets	**32,369**	22,629
Auditor's remuneration	**3,800**	1,844
Gain on disposal of items of property, plant and equipment, net	**(134)**	(35)
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**1,157,952**	541,322
Equity-settled share option expense	**3,414**	—
Pension scheme contributions	**100,810**	27,285
	1,262,176	568,607
Impairment losses on financial assets, net:		
— Trade receivables	**10,689**	9,190
— Other receivables	**6,838**	1,022
	17,527	10,212
Rental expense:		
Short-term leases and low-value leases	**16,087**	10,059

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the entities within the Group incorporated in the Cayman Islands and BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2021.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the year, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% for the year ended 31 December 2021.

	2021	2020
	RMB'000	*RMB'000*
Current	**216,419**	128,969
Deferred	**(7,983)**	(7,032)
	208,436	121,937

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

The calculation of the basic and diluted 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 of 2,017,611,329 (2020: 1,700,418,561) in issue during the year ended 31 December 2021.

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

	2021	2020
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**674,843**	323,083
Shares		
Weighted average number of ordinary shares in issue during the year in the basic and diluted earnings per share calculation	**2,017,611,329**	1,700,418,561
Earnings per share		
Basic and diluted *(RMB cents per share)*	**33**	19

The computation of diluted earnings per share for 2021 does not assume the exercises of the Company's share options outstanding during 2021 because the exercise prices of those options were higher than the average market price of the Company's shares from the grant date of those options to the year end date (i.e. from 23 July 2021 to 31 December 2021).

9. TRADE RECEIVABLES

	2021	2020
	RMB'000	*RMB'000*
Related parties	**540,336**	379,301
Third parties	**539,156**	240,207
Trade receivables	**1,079,492**	619,508
Less: Allowance for impairment of trade receivables	**(17,460)**	(12,800)
	1,062,032	606,708

An ageing analysis of the trade receivable as at the end of the reporting period, based on the invoice date and net of loss allowance, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**1,028,083**	558,918
1 to 2 years	**20,612**	28,001
2 to 3 years	**12,249**	16,695
Over 3 years	**1,088**	3,094
	1,062,032	606,708

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

	2021	2020
	RMB'000	*RMB'000*
At beginning of year	**12,800**	9,144
Impairment losses recognised, net *(note 6)*	**10,689**	9,190
Amount written off as uncollectible	**(6,029)**	(5,534)
At end of year	**17,460**	12,800

10. TRADE PAYABLES

	2021	2020
	RMB'000	*RMB'000*
Related parties	**9,689**	4,855
Third parties	**236,141**	149,610
	245,830	154,465

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2021	2020
	RMB'000	*RMB'000*
Within 1 year	**229,947**	147,957
1 to 2 years	**11,038**	3,400
2 to 3 years	**1,891**	1,698
Over 3 years	**2,954**	1,410
	245,830	154,465

Trade payables are unsecured, interest-free and normally settled on terms of 30 to 90 days.

11. DIVIDENDS

	2021	2020
	RMB'000	*RMB'000*
Proposed final dividend (with scrip option) — RMB12 cents (2020: final dividend of RMB6 cents) per ordinary share	**242,053**	121,069

The proposed final dividend for the year, to be made out of the share premium account of the Company, is subject to the approval of the Company's shareholders at the 2022 annual general meeting of the Company (the "**2022 AGM**").

CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the business review and outlook of the Group for the year ended 31 December 2021 to all shareholders.

2021 was the first full financial year following the Group's IPO listing, and it was also the year of leapfrog and high-quality development. During the year ended 31 December 2021, on the premises of continuously strengthening existing business fundamentals, the Group advanced with ever-changing market conditions and decisively entered into the urban services industry. It deepened its "multi-driver" strategic layout, penetrated into multiple business formats across various cities and focused on elevating product quality, operational capability and organizational capability, thus achieving rapid and high-quality growth in all key financial indicators. During the year ended 31 December 2021, the Group achieved a revenue of RMB3,255.4 million, representing a significant year-on-year increase of 114.6%. It achieved a net profit of RMB684.3 million, representing a significant year-on-year increase of 111.4%. Earnings per share attributable to shareholders were RMB33 cents. Meanwhile, the Group had presence in 139 cities across 20 provinces, autonomous regions and municipalities. The Group's contracted Gross Floor Area (the "**GFA**") was 277.9 million sq.m., representing a year-on-year increase of 420.4%. The GFA under management reached 206.1 million sq.m., representing a leapfrog year-on-year increase of 395.4%. Benefiting from the Group's market reputation and service capability, the GFA under management of third-party projects accounted for 88.2%, further verifying its market competitiveness.

As we witnessed China's strong economic resilience in year 2021, led by Party building initiatives, the Group actively participated in grass-roots community governance and stood by the "final line of defense in fighting against the pandemic". Facing the constant reoccurrence of the COVID-19 pandemic, employees of KWG Living took extraordinary actions in ordinary daily life. They fought at the frontline of the pandemic and built a great wall of steel with their bodies. In this prolonged fight against the pandemic, our employees worked against the clock and received widespread recognition from customers, governments and the public with comprehensive management plans, meticulous measures on epidemic prevention and strong mobilization ability. Meanwhile, leveraging on the in-depth understanding of customer demands, the Group continuously upgraded its service ability and branding to create a harmonious, joyous, safe and beautiful surrounding for community and public life.

The Group pays continuous attention to environmental, social responsibilities and corporate governance. It iterates products and services to constantly bringing warm and quality service experiences to customers, provides progressive career growth and development to its staff and creates respectful and cooperative win-win cooperation to business partners. Talents are the cornerstone on our long-term business development. The Group adheres to the human resources management principle of "enhancing performance, emphasizing growth and fostering a cultural norm" and implements the mechanism on co-creation, joint undertaking and upside sharing towards the orientation of strategic goals. During the Year, it launched equity incentive scheme for partners to maximize workforce enthusiasm and ensure interest alignment between employees, the Company and shareholders. At the same time, the Group actively participated in community welfare and continued to give back to the society. Its first post-IPO stand-alone ESG report will be released in May this year to fully disclose its social responsibility performance.

1. Deepening footprint across multiple sectors for high quality expansion across all business formats

The Group adhered to a market-oriented development path, the management firmly adhered to growth strategies whilst our teams implemented them with high efficiency. Post its IPO listing, the Group has acquired Guangzhou Runtong Property Management Company Limited ("**Guangzhou Runtong**"), Shanghai Shenqin Property Management Service Co., Ltd. ("**Shanghai Shenqin**") and other property management target companies and entered into an acquisition agreement with Living Technology Co., Ltd. ("**Living Technology**") (formerly known as Cedar Technology Group Co., Ltd.), which not only expanded its operating scale but further improved its business layout to include all business formats. In the second half of the year, the Group followed policy direction and seized market opportunities in acquiring Guangdong Telijie Environment Engineering Co., Ltd. (廣東特麗潔環境工程有限公司) ("**Guangdong Telijie**") and officially entered into the urban services industry. So far, the Group's property services scope have expanded from residential, commercial and office facilities to include public facilities projects including governments, hospitals and schools as well as urban services.

High-quality development is deeply rooted in organic growth. The Group achieved groundbreaking growth in third-party in the first year after its IPO listing. During the year ended 31 December 2021, the Group firmly implemented the market-oriented growth route, under the strategy of "one product with multi-brands", and explored in existing vantage regions extensively to improve its presence in regions with high potential. It gave priority to business segments of which it enjoys profound professional advantages, high entry barriers and extensive market potentials; it integrated internal and external resources of the Group and its member enterprises and utilized incentive mechanisms to encourage growth creation. As of the end of 2021, the proportion of the GFA under management from third-party projects increased to 88.2%. Along with operational independence and soundnesses, as well as improved comprehensive service capabilities, the Group's branding advantages were further enhanced.

In order to actively respond to changes in the market environment, the Group deepened the presence across different business sectors such as residential, commercial and office properties, shopping malls, public facilities and urban services to develop "high recognition" in sub-segments. In the residential sector, we continued to closely follow customers' pursuit for a better life, created a comfortable environment and provided warm, sticky and diversified services for customers so as to preserve and enhance the property's asset value. In the commercial sector, leveraging on our meticulous positioning and professional service solutions with local landmark projects acting as a center point, we swiftly made use of existing resources and service capabilities to surrounding areas to recreate city landmarks. In the public facilities and urban services sectors, we relied on our current brand and qualification barriers and shared channels and resources with member enterprises, deeply tapped into the potential for obtaining projects and further expanded the business presence in urban services.

2. Promoting deep integration with post-acquisition enterprises through an inclusive, open and win-win mindset

As the industry landscape becomes more concentrated with large-scale M&A transactions, the post-acquisition management capability has gradually become the touchstone for property management companies. The Group attaches great importance to the deep integration with its member enterprises. With culture as the guideline and business as the core, the Group conducts all-round empowerment on its member enterprises through the coordination of diversified businesses and the sharing of resources and channels to deeply stimulate the potential in exploring third parties and inject strong impetus into the development of the Group.

On the strategic level, the Group adheres to the concept of open, inclusive and win-win cooperation, and fully respects the member enterprises to maintain its operating characteristics and competitive edge. Starting at the very early stage of cooperation, it specifies the blueprint for future collaboration, laying a profound trust foundation to stimulate the formulation of strategies, the establishment of systems and deep integration in the future. Therefore, the joining of each member enterprise is an important landmark in the Group's growth curve, as each of the member enterprises serves to either reinforce its existing vantage regions or complement its strategic businesses landscape.

On the tactical level, we continuously think about how to integrate the culture of both parties, manage diversified businesses, administer and control business risks, promote business collaboration and retain key talents on the basis of maintaining the original growth momentum of member enterprises. The Group applies varying post-acquisition management strategies with an inclusive mindset based on the different development stages and the best models of resources matching of its member enterprises.

On the execution level, the Group actively integrates its member enterprises, achieves smooth transition with pragmatic expectations on both parties and creates growth through trust and cooperation. Through the collaboration and organic integration of across a wide array of diversified businesses segments, the Group forms a close connection with its member enterprise prior to, during and post acquisition in order to achieve a positive cycle with high-quality and high-speed growth.

3. Enhancing commercial properties and operational capability to create commercial landmarks that echoes with urban spirit

The commercial sector growth is fueled by growing consumer spending. We are devoted to our original aspirations for providing higher quality retail sceneries and contents. Leveraging on its sound operational capability, risk management and control capability, the Group's "Ufun" and "M • CUBE" malls' business operation and customer flow remained sound despite the pandemic. Through accurately tapping into customer demands and branding upgrade, shopping malls recorded an increase of over 50% in customer flow and aggregate sales value, while the occupancy rate exceeded 88%. In terms of office buildings, the collection rate stood at 100%, while the occupancy rate surpassed 88%, respectively, maintaining the leading position in the industry. During the year ended 31 December 2021, the Group achieved a year-on-year increase of 189.9% to RMB1,318.9 million in revenue from non-residential property management and commercial operational services.

Offline retail operators are compelled to upgrade spatial designs and introduce products to respond to changing consumption trends. Compared with online retail, the advantages of offline retail lie in "personal experience and social contact". The Group added elements of distinctive local cultures and features into innovative retail scenes to cater for local consumer preference in various cities for diversifying customer experience, winning branding recognition and increasing longer customer dwell time.

We believe that creating differentiated contents is the only way to attract consumers and avoid homogeneous competitions. Unlike traditional retail, we explored beyond physical space towards online & alternative channels to interact and co-create activities with new-generation consumers, and developed scenario-based contents with IP, cultural themes and show fields to increase their dwell time. Based on our in-depth understanding tenants' objectives, we matched their products with retail scenes and activities to improve conversion rate, which triggers social media sharing and subsequent publicity exposure for resonating presence and interaction between consumers and businesses.

Improving customer services and flexibly adjusting business plans to cater for varying regions and groups are crucial in client retention. Take the property management and operational services on office buildings as an example, the Group strives to bring "7×24-hour green and healthy life" to all customers, developing ancillary facilities to meet customers' needs for food, clothing, housing and transportation with efficient and convenient business spaces and bringing warm and quality business experiences to customers with professional operational capabilities and humanistic services.

4. Improving customer experience and operational efficiency through refined operation

Given flattening growth in market space, the application of refined management becomes essential. The government is advocating for more scientific, refined and intelligent urban governance led by Party building and through technology empowerment to promote modern social governance in urban regions, enhance regulation on property services and improve the coverage, quality and standardization of property services. During the year ended 31 December 2021, the Company continued to strengthen company policies and internal systems, maintained standardized consistency, prioritized member enterprise empowerment and trainings and focused on the implementation of standardization to constantly improve the refinement, consistency and stability of services.

Internally, refined operation can penetrate into all aspects of the corporate value chain, including staffing, financing, resources, production, supply, sales and collaboration of enterprises, in order to build an integrated operational platform covering both operational and financing activities. The subsequent data consolidation and conversion into useful company digital assets will reshape the means of value contribution and expedite sector upgrade. During the year ended 31 December 2021, the Group continuously perfected internal control systems, prioritized management and control on digital operation, security protection, intelligent transformation and bidding and procurement efficiency, and optimized internal control and management for lesser burden and improved efficiency at project management team levels. At the same time, the Group formulated detailed and feasible long-term operation systems on all post-acquisition member enterprises to maximize business collaboration and mutual growth.

Externally, refined management aims to bring outstanding service experience to consumers, promote the advancement and upgrade in business models, operational models and procedures and creating an eco-system between customers, employees and business partners for integrated digital relationship, "business partner" resource pooling and arising business opportunities. As the Group achieves supply chain optimization and efficiency improvement through digital upgrading, it also presents more business opportunities to its partners to achieve mutual growth and prosperity. To begin with the end in mind, we have developed and polished our core competences so as to bring customers with better life experience through our operation.

5. Future outlook

We ascribe the excellence in our post-IPO listing debut results to the customers' pursuit for a beautiful life, our employees' relentless contribution towards thousands of households, and our shareholders and partners for placing their trust in the Group's professional capabilities. The future has come and it is time to act. Year 2022 marks a year of marketization for the Group to advance from being an all business format player towards an all ecosystem player, a year of scalability to optimize nationwide layout and deeply explore in vantage regions, a year of integration to make pragmatic advancement in post-acquisition management and integrate one product with multi-brands, as well as a year of smart digitalization in carrying out social responsibilities, enhancing reputation on service quality and optimizing value chains.

Looking forward and facing the unprecedented huge changes in the industry, we will observe the situation, seize the momentum, pursue reform and forge ahead with great efforts to live up to investors' support and expectations.

BUSINESS REVIEW

Overview

We are a comprehensive smart service operator in China with sound reputation and rapid development. In 2021, thanks to our forward-looking market-oriented strategy and refined operation and management system, we were awarded the titles of the "TOP 15 among the Top 100 Property Management Companies in China" and "No. 8 among the Top 100 Commercial Property Companies in China" by China Index Academy.

As at 31 December 2021, the Group provided property management services and value-added services in 139 cities in China, with a contracted GFA of approximately 277.9 million sq.m. and GFA under management of approximately 206.1 million sq.m. The Group's services cover a variety of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, schools, government authorities, hospitals and urban services), commercial operational services and related value-added services.

Upholding the philosophy of "Enjoy Life Everywhere", we strive to provide an all-round and attentive professional property management services to our customers, and develop product and service systems that cater for different customer portfolio and different segments. In connection with the residential property projects, we forge three major product systems, namely "Zhen Service (臻享)", "Jun Service (駿享)" and "Ning Service (寧享)", to provide customers with a more secured, comfortable and assured experience in residential property management service. For commercial operational projects, we focus our efforts on establishing our shopping mall brand system mainly based on the brand names of "Ufun", "M • CUBE" and "Ufun Walk", and our office building brand system with "ifp", "imp" and "icp" as the signature brands at the prime locations in first-tier and second-tier cities. During the year ended 31 December 2021, the Group's strengths in product, service and brand were further enhanced, and its ranking in the industry in terms of comprehensive strength climbed up by 2 places as compared with 2020.

Business Introduction

Business Model

The Group generates revenue primarily from two principal business segments: (i) residential property management services; and (ii) non-residential property management and commercial operational services.

Residential property management services

The Group provides residential property management services to afford various services meeting the needs of households and residents in the community under different daily-living scenarios, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices, to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and

- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalized needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential property management and commercial operational services

The Group manages and operates a diversified portfolio of non-residential properties, provides property management and commercial operational services to commercial properties such as shopping malls, office buildings and industrial parks, and provides property management services to schools, hospitals, government authorities and other public properties. The Group's services include:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;

- property management services: such as file management, cleaning, security, gardening and repair and maintenance services provided to property owners or tenants. The Group charges property management fees for such services;

- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per sq.m basis for its preliminary planning and consultancy services and tenancy sourcing services; and

- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

The table below sets forth the breakdown of the Group's total revenue by business segment for the reporting periods indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	***%***	*RMB'000*	*%*
Residential property management services				
Pre-sale management services	**383,669**	**11.8**	258,921	17.1
Property management services	**948,241**	**29.1**	513,573	33.8
Community value-added services	**604,681**	**18.6**	289,873	19.1
Sub-total	**1,936,591**	**59.5**	1,062,367	70.0
Non-residential property management and commercial operational services				
Pre-sale management services	**30,218**	**0.9**	24,794	1.6
Property management services	**1,057,253**	**32.5**	279,740	18.4
Commercial operational services	**133,860**	**4.1**	96,606	6.4
Other value-added services	**97,524**	**3.0**	53,720	3.6
Sub-total	**1,318,855**	**40.5**	454,860	30.0
Total	**3,255,446**	**100.0**	1,517,227	100.0

Business Growth

Thanks to the multi-driver strategies of "cooperation with developers + M&A + expansion of third-party services", the business scale and comprehensive operational capabilities of the Group have achieved leapfrog high-quality growth. Thanks to the Group's market reputation and service capabilities, as of 31 December 2021, the Group's third-party projects accounted for 88.2% of the GFA under management, further demonstrating its marketization capabilities.

Seizing the development opportunity in the independent third-party market

In the first year of its IPO listing, the Group achieved a breakthrough growth in the expansion of third-party services by virtue of its high-quality services, professional marketing team, diversified channels and good reputation. During the year ended 31 December 2021, 272 new third-party projects were expanded with new GFA of 19.8 million sq.m. We deeply concentrated our efforts in key regions with large market potential and abundant customer resources, and intensively penetrated into the niche market. The new third-party projects in first- and second-tier cities accounted for 68.7% of the business.

In 2021, thanks to our outstanding service quality in residential property management and brand influence, we secured several premium residential projects such as Beijing Fumeiyuan (北京福美苑), Hepan Huacheng (河畔花城) and Changsha Greenland Global House (長沙綠地公館). Meanwhile, benefiting from our integrated commercial property management service and operation capabilities, we obtained certain prime commercial projects such as Guangbao Centre (廣報中心), Oppein International Plaza (歐派國際廣場) and Yuzhu Bay Maritimesilk Innovatation Centre (廣州漁珠灣海絲創新中心). Owing to our professional, refined and standardized service capacities in the public properties sector, we were granted many premium projects such as Zhongshan Ophthalmic Center, Sun Yat-Sen University (中山大學中山眼科中心), Shanghai Children's Liabrary (上海少年兒童圖書館) and Guangzhou Center for Disease Control and Prevention (廣州市疾病預防控制中心).

Under the guidance of national policies, the property management industry has gradually extended to the orientation of smart urban management. With continuous expansion of market size and ongoing emergence of business opportunities, it is in the stage of rapid growth. During the year ended 31 December 2021, the Group seized market opportunities and followed the calls of policies to expand our service offerings to urban service. We extensively sought strategic partners and concluded strategic cooperation with Pu'er Municipal Government to expand the breadth and depth of our urban services, so as to build up our "soft servicing" capabilities. We actively identified strategic partners in the same industry and other industries. Through the acquisition of Guangdong Telijie our business footprint was further expanded, so that the strengths of nation-wide presence, full-business coverage and multi-brands can be maximised.

Strategic M&A

Strategic M&A is also an important part in our development process. The following major strategic acquisitions had been announced since 2021:

- On 17 January 2021, the Group conditionally agreed to acquire 80% equity interests in Living Technology. Living Technology is a leading "smart city" service operator in the PRC in sectors such as residential properties, commercial properties, municipal facilities, schools and hospitals. Following the acquisition of Living Technology, the Group will expand rapidly its national geographical footprint, will strengthen its presence across different business sectors, and considerably will enhance its brand coverage and penetration.

- On 29 June 2021, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin. Shanghai Shenqin focused on the public property sector, including the properties of government authorities, public properties, school properties and other property types. Following the acquisition of Shanghai Shenqin, the Group's project concentration in the Yangtze River Delta region will further increase and its ability to serve across all business sectors will be further enhanced. In particular, both the efficiency and quality of its services in the public facilities sector will be improved.

- On 10 January 2022, the Group conditionally agreed to acquire the 50% equity interests in Guangdong Telijie, in which the Group holds 55% equity interests in total upon completion of such acquisition. Guangdong Telijie focuses on the urban service sector, deeply cultivates its development in the Greater Bay Area and has accumulated excellent reputation and industry recognition in project management operations as well as market expansion. Following the acquisition of Guangdong Telijie, the multi-brand and all-round business strengths of the Group will be further strengthened and the overall competitiveness will be further enhanced.

Residential Property Management Services

Overview

The Group manages all of the residential properties solely developed by the KWG Group. The Group also manages residential properties developed by the KWG Group's joint ventures, associates or other related parties. In addition, the Group has expanded its business scale through expansion of third-party services, and mergers and acquisitions to provide property management services to an increasing number of residential properties developed by third-party property developers. During the year ended 31 December 2021, its revenue from the residential property management service segment increased to approximately RMB1,936.6 million from approximately RMB1,062.4 million for the last year, representing a year-on-year increase of 82.3%. The ongoing improvement of marketisation capability has injected strong impetus for the robust growth in the Group's property management scale. In 2021, the GFA under the management of third-party residential properties accounted for 79.3% of the total GFA under management of residential properties, representing a year-on-year increase of 38.0 percentage points.

Growth in Residential Property Management Services Portfolio

As at 31 December 2021, the Group's contracted GFA was approximately 145.9 million sq.m., representing an increase of 270.3% as compared to that as at 31 December 2020. As at 31 December 2021, GFA under management was approximately 99.2 million sq.m., representing an increase of 240.9% as compared to that as at 31 December 2020.

The table below sets forth the movements of the Group's residential contracted GFA and GFA under management as at the dates indicated:

	Year ended 31 December			
	2021		2020	
	Aggregate contracted GFA ***('000 sq.m.)***	**GFA under management** ***('000 sq.m.)***	Aggregate contracted GFA *('000 sq.m.)*	GFA under management *('000 sq.m.)*
At the beginning of the period	**39,371**	**29,121**	29,623	18,346
New additions	**106,569**	**70,113**	9,748	10,775
At the end of the period	**145,940**	**99,234**	39,371	29,121

Geographic Presence of Residential Property Management Services Portfolio

During the year ended 31 December 2021, the Group continued to focus on its residential property management services, optimised its national geographic presence, and deepened its developments in the advantageous region. As of 31 December 2021, the Group had established business presence in 101 cities in China. As of 31 December 2021, the Group managed a total of 801 residential properties.

The table below sets forth a breakdown of the Group's total GFA under management with respect to residential properties as at the dates indicated, and total revenue generated from residential property management services for the periods indicated by regions:

	Year ended 31 December					
	2021			2020		
	Revenue *(RMB'000)*	*%*	**GFA under management *('000 sq.m.)***	Revenue *(RMB'000)*	*%*	GFA under management *('000 sq.m.)*
Greater Bay Area	**721,521**	**37.2**	**24,666**	454,361	42.8	11,164
Yangtze River Delta[(1)]	**520,471**	**26.9**	**21,875**	281,363	26.5	5,489
Midwest China and Hainan[(2)]	**553,942**	**28.6**	**49,220**	238,196	22.4	11,373
Bohai Economic Rim[(3)]	**140,657**	**7.3**	**3,473**	88,447	8.3	1,095
Total	**1,936,591**	**100.0**	**99,234**	1,062,367	100.0	29,121

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province and Chongqing Municipality.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Community Value-added Businesses

Driven by government policies, the Group continues to explore the business model of "property service + daily-living service". On the back of customers' trust earned through its premium property management services, the Group consistently enhances its servicing ability and complements this ability with technology-empowered management to achieve cost savings and efficiency enhancement, thereby gaining a distinctively advantageous position for the promotion of value-added services. To offer more conveniences in fulfilment of the requirements of property developers and owners, residents and tenants of properties under its management, the Group also provides community value-added services in the process of providing residential property management services by giving full play to its operational advantages. Such community value-added services mainly include: (i) home-living services; (ii) property agency services; and (iii) common area value-added services. During the year ended 31 December 2021, the Group's revenue from the community value-added businesses reached approximately RMB604.7 million, representing a year-on-year increase of 108.6% which indicated sound growth momentum.

Non-residential Property Management and Commercial Operational Services

Overview

The Group provides property management services to non-residential properties, including commercial properties and public properties, as well as commercial operational services to commercial properties, including office building and shopping malls. In 2021, revenue from non-residential property management and commercial operational service segment amounted to RMB1,318.9 million, representing a significant year-on-year increase of 189.9%, and accounted for 40.5% of the Group's total revenue, up 10.5 percentage points as compared with last year. Benefiting from the substantial improvement in the Group's marketization capability, the Group's GFA under management of third-party non-residential properties accounted for 96.6% of the total GFA under management of non-residential properties, representing a year-on-year increase of 17.2 percentage points.

As of 31 December 2021, total GFA under management of the Group's non-residential properties was approximately 106.9 million sq.m. (Guangdong Telijie was not be consolidated as of 31 December 2021, this business segment only includes GFA under management and contracted GFA).

As for commercial property management and operation sector, the Group provides property management services to 222 shopping malls, office buildings and industrial parks, and provides commercial operational services to 18 shopping malls and office building projects that have been put into operation. With a highly recognizable brand, digital operation capabilities and integrated management service capabilities, the Group continued to explore the market potential in commercial operations and property services.

As for public properties sector, the Group provides property management services to 987 public properties. With the differentiated brands and high barriers in qualification, the Group promoted market expansion by offering benchmark projects and sharing channels and resources with member companies to deeply tap the potential for project acquisition, and has established a national presence and leading advantage in all-round business sectors such as universities, hospitals, government properties, urban public facilities, rail and transportation properties.

Growth in Non-residential Property Management Services Portfolio

The table below sets forth the movements of the Group's non-residential contracted GFA and GFA under management as at the dates indicated:

	Year ended 31 December			
	2021		2020	
	Aggregate contracted GFA ***('000 sq.m.)***	**GFA under management** ***('000 sq.m.)***	Aggregate contracted GFA *('000 sq.m.)*	GFA under management *('000 sq.m.)*
At the beginning of the period	**14,043**	**12,450**	4,454	3,268
New additions	**117,903**	**94,432**	9,589	9,182
At the end of the period	**131,946**	**106,882**	14,043	12,450

Geographic Presence of Non-residential Property Management Services Portfolio

During the year ended 31 December 2021, the Group continued to focus on its non-residential property management and commercial operational services business, optimised its business in advantageous regions, and established its presence in regions with high growth potential. As of 31 December 2021, non-residential properties managed were located in 85 cities including major cities such as Beijing, Shanghai, Chengdu and Suzhou. As of 31 December 2021, there were 1,209 non-residential properties under the management of the Group.

The table below sets forth a breakdown of the Group's total GFA under management with respect to non-residential properties as at the dates indicated, and total revenue generated from non-residential property management and commercial operational services as of the periods indicated by regions:

	Year ended 31 December					
	2021			2020		
	Revenue *(RMB'000)*	**%**	**GFA under management** *('000 sq.m.)*	Revenue *(RMB'000)*	%	GFA under *('000 sq.m.)*
Greater Bay Area	**625,965**	**47.5**	**51,848**	148,193	32.6	8,098
Yangtze River Delta[1]	**300,977**	**22.8**	**26,170**	121,330	26.7	931
Midwest China and Hainan[2]	**259,884**	**19.7**	**10,492**	155,355	34.1	3,353
Bohai Economic Rim[3]	**132,029**	**10.0**	**18,372**	29,982	6.6	68
Total	**1,318,855**	**100.0**	**106,882**	454,860	100.0	12,450

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan province, Henan Province, Sha'anxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province

Value-added Business to Non-residential Property

Relying on its reputation and brand influence among customers earned from premium property management and commercial operational services, the Group leverages its own operational advantages and business innovation capabilities to provide customers with full ecological value-added services covering office, business and life, and strives to create a differentiated consumption scenario and provide efficient and convenient business space. During the year ended 31 December 2021, revenue from the Group's value-added business to non-residential property increased by 81.5% year-on-year, which demonstrated sound growth momentum.

OUTLOOK AND FUTURE PLAN

Continuously Advancing Scale Expansion and Deepening Layout with Multi Drivers

The Group will continue to adhere to the "multi-driver" strategy to ensure long-term high-quality growth through breadth and depth extension. In terms of breadth extension, the Group will continue to optimise national layout, explore opportunities in advantageous regions and improve project density to achieve scalable effects. In terms of depth extension, the Group will deeply tap into the diversified demands of customers, share channels and resources with member enterprises and innovate and match corresponding products and services based on different demands of customers, so as to improve the recognition and market influence of brands of multiple business types.

Building a Multi-layered Partner Economy from all Business Types to all Ecosystems

With customer demand as the orientation, the Group will constantly improve products and services categories and innovate business models to provide customers with service scenarios covering all business types such as residence, commercial properties, public facilities and urban services. Meanwhile, with the smooth progress of the post-acquisition integration, the brand matrix of the Group will be more complete and the business radius will be expanded. The Group will actively link up with its customers, end users, suppliers, alliance partners and partners in other ecosystems and build a multi-layered partnership to effectively gather and use all resources and create an ecological chain with KWG Living through cross-industry cooperation.

Promoting In-depth Integration with Member Enterprises and Achieving Inclusive and Win-win Results

It is an important strategy of the Group to promote post-acquisition integration development and strengthen the competitive advantages in advantageous regions and sub-segments to build competence for high-quality development in the long run. Through the formulation of targeted post-acquisition management strategies, the Group will maintain the characteristics and competitive advantages of its member enterprises to the maximum extent and conduct all-dimensional empowerment on them through the front, middle and back offices. Supported by the market-based mechanisms, the Group will fully explore the development potential of its member enterprises and consolidate mergers and acquisition results to lay a solid foundation and inject growth impetus.

Developing Brand Capability with High Quality and Practicing ESG on Social Responsibilities

The Group always practices the "quality-first" service principle with customer satisfaction as the criteria. Leveraging on its years of service experience accumulation, the Group is devoted to becoming a maker of customers' happy life, a provider of sense of belonging, recognition and accomplishment of employees and a creator of market and brand value. Meanwhile, the Group also deeply integrates the sustainable development concept into daily operation, develops under the guidance of Party building and actively fulfills corporate social responsibilities to develop heart-warming brands with concrete actions.

Connecting People and Property with Technology and Improving Operation Capability through Digital Intelligence

The Group continuously thinks about how to do well in digital transformation, use technology to better serve customers and empower employees. In terms of internal operation and management, the Group will drive lean management with data, control quality stringently, focus on efficiency, fully empower employees and reduce mechanical and repetitive works to improve quality and efficiency. Externally, the Group will accumulate the experience in constructing smart communities and explore more convenient and intelligent service experience in business, office, residence and other scenarios, bringing an "intelligent and pleasant life" to customers.

The past year was a landmark and significant year in the history of the Party and the state, and the following year is a year with serious domestic and overseas situation and is full of challenges. The Group will work with commitment and persistence and forge ahead with perseverance to achieve sustainable and high-quality growth.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

The table below sets forth the breakdown of revenue of the Group by business segments for the periods indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services	**1,936,591**	**59.5**	1,062,367	70.0
Non-residential property management and commercial operational services	**1,318,855**	**40.5**	454,860	30.0
Total	**3,255,446**	**100.0**	1,517,227	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**383,669**	**19.8**	258,921	24.4
Property management services	**948,241**	**49.0**	513,573	48.3
Community value-added services	**604,681**	**31.2**	289,873	27.3
Total	**1,936,591**	**100.0**	1,062,367	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment increased from approximately RMB258.9 million in 2020 to approximately RMB383.7 million in 2021. Such increase was primarily due to the increase in the number of sales offices under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB513.6 million in 2020 to approximately RMB948.2 million in 2021. Such increase was primarily due to the increase in the Group's GFA under management for residential properties from approximately 29.1 million sq.m. as at 31 December 2020 to approximately 99.2 million sq.m. as at 31 December 2021, resulting from the increase in the number of residential property projects under management from 183 as at 31 December 2020 to 801 as at 31 December 2021.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment increased from approximately RMB289.9 million in 2020 to approximately RMB604.7 million in 2021, primarily due to the fact that the Group (i) provided more community value-added services driven by the increase in its GFA under management and (ii) diversified the types of community value-added services it provided for residential properties. The increase in revenue from the Group's community valued-added services was generally in line with the increase in its revenue generated from property management services under its residential property management service segment during the same year.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Year ended 31 December			
	2021		2020	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**30,218**	**2.3**	24,794	5.5
Property management services	**1,057,253**	**80.2**	279,740	61.5
Commercial operational services	**133,860**	**10.1**	96,606	21.2
Other value-added services	**97,524**	**7.4**	53,720	11.8
Total	**1,318,855**	**100.0**	454,860	100.0

Pre-Sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB24.8 million in 2020 to approximately RMB30.2 million in 2021.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB279.7 million in 2020 to approximately RMB1,057.3 million in 2021. Such increase was primarily due to the increase in the number of non-residential property projects under the Group's management.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB96.6 million in 2020 to approximately RMB133.9 million in 2021. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant souring services we provided in 2021.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB53.7 million in 2020 to approximately RMB97.5 million in 2021. This increase was primarily due to the increase in its value-added services provided driven by the increase in its GFA under management for non-residential properties.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2021, the total cost of sales of the Group was approximately RMB2,029.3 million, which was increased by approximately RMB1,150.6 million or 131.0% as compared to approximately RMB878.7 million for the year ended 31 December 2020. The rate of increase in cost of sales was higher than that of the Group's revenue, primarily due to the gross profit margin of the acquired companies was at the market level due to their adoption of market development strategies.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2021, the gross profit of the Group increased by approximately RMB587.6 million or 92.0% to approximately RMB1,226.1 million in 2021 from approximately RMB638.5 million in 2020. The Group reported gross profit margin of 37.7% for the year ended 31 December 2021 (2020: 42.1%).

Other Income and Gains

The other income and gains of the Group increased by approximately RMB15.1 million or 130.4% to approximately RMB26.6 million in 2021 from approximately RMB11.5 million in 2020, and mainly comprised bank interest income and tax incentive on value-added tax of approximately RMB6.0 million and RMB6.3 million respectively.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the year ended 31 December 2021, the administrative expenses of the Group were approximately RMB333.2 million, which increased by approximately RMB139.6 million or 72.1% as compared to approximately RMB193.6 million for the year ended 31 December 2020. Such increase was mainly due to the Group's business expansion.

Income Tax

For the year ended 31 December 2021, the income tax of the Group was approximately RMB208.4 million (2020: approximately RMB121.9 million). The increase was primarily due to the increase in taxable income.

Financial Position and Capital Structure

As at 31 December 2021, the total assets of the Group was approximately RMB5,002.1 million (as at 31 December 2020: approximately RMB4,228.5 million), and the total liabilities was approximately RMB1,486.2 million (as at 31 December 2020: approximately RMB1,235.1 million). As at 31 December 2021, the current ratio of the Group was 1.89 (as at 31 December 2020: 3.15). As at 31 December 2021 and 2020, the Group did not have any outstanding borrowings.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2021 amounted to approximately RMB1,062.0 million, representing an increase of approximately RMB455.3 million or 75.0% as compared to approximately RMB606.7 million as at 31 December 2020.

Trade Payables

The Group's trade payables as at 31 December 2021 amounted to approximately RMB245.8 million representing an increase of approximately RMB91.3 million or 59.1% as compared to approximately RMB154.5 million as at 31 December 2020.

Pledge of Assets

As at 31 December 2021 and 2020, none of the assets of the Group were pledged.

Contingent Liabilities

As at 31 December 2021 and 2020, the Group did not have any material contingent liabilities.

Interest Rate Risk

As the Group had no significant interest-bearing assets and liabilities, the Group is not exposed to material risk directly relating to changes in market interest rate.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the year ended 31 December 2021, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

Acquisition of Shanghai Shenqin

Pursuant to an acquisition agreement dated 29 June 2021 entered into by Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Hejing Youhuo**", an indirect wholly-owned subsidiary of the Company) as the purchaser, and MIN Xiaoping and LIU Cong as the vendors, the Group conditionally agreed to acquire 80% equity interests in Shanghai Shenqin at a cash consideration of RMB498.0 million. Shanghai Shenqin is principally engaged in property management.

Details of the acquisition are set out in the Company's announcement dated 29 June 2021.

Acquisition of Living Technology

Pursuant to an acquisition agreement dated 17 January 2021 entered into by Hejing Youhuo as the purchaser, Guangzhou Xiangtai Business Management Co., Ltd. as the vendor, Cedar Industrial Group Limited and Shouguang Qixing Enterprise Management Center (Limited Partnership) as the guarantors, and Living Technology as the target company, the Group conditionally agreed to acquire 80% equity interests in Living Technology at a cash consideration of RMB1,316.0 million. Living Technology is principally engaged in property management.

Details of such acquisition are set out in the announcement of the Company dated 18 January 2021 and the circular of the Company dated 17 June 2021.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the year ended 31 December 2021.

EVENTS AFTER THE REPORTING PERIOD

On 10 January 2022, Hejing Youhuo as the purchaser has entered into an equity acquisition agreement with HOU Wenqing and CHENG Naizhen as the vendors for the acquisition of 50% equity interests in Guangdong Telijie at a cash consideration of RMB165.0 million. Guangdong Telijie is principally engaged in urban and rural environmental sanitation service. For details, please refer to the announcement of the Company dated 10 January 2022.

On 10 January 2022, the Company also announced that there was a further change in use of Net Proceeds (defined below). Details for the change in use of Net Proceeds are set out in the announcement of the Company dated 10 January 2022 and the section headed "Use of Net Proceeds from the Listing" in this announcement.

USE OF NET PROCEEDS FROM THE LISTING

The shares of the Company (the "**Shares**") were listed on the Stock Exchange on 30 October 2020 by way of Global Offering (as defined in the prospectus of the Company dated 19 October 2020 (the "**Prospectus**")), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately Hong Kong dollars ("**HK$**") 2,913.1 million (the "**Net Proceeds**").

By using the allocations basis as stated in the Prospectus, the Group intended to use the Net Proceeds as follows: (i) approximately 60%, or approximately HK$1,747.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately 25%, or approximately HK$728.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately 10%, or approximately HK$291.4 million for further diversifying its value-added services; and (iv) approximately 5%, or approximately HK$145.7 million for its general corporate purposes and working capital.

The Group continues to expand its business scale through market expansion, persists in seeking investment opportunities, extends the scope and boundary, breadth and depth of its integrated property management services, and explores potential market opportunities so as to provide products and services to our customers in a better manner and continue to bring values for the Shareholders. Given the above considerations and the following reasons, in order to enhance the use efficiency of the funds raised, capture market opportunities for business development in a timely manner, and strike a more reasonable balance in the use of funds, the Group further revised the allocation of the Net Proceeds on 29 June 2021. As set out in the announcement of the Company dated 29 June 2021 (the "**Announcement**"), the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$145.6 million for further diversifying its value-added services; and (iv) approximately HK$72.8 million for its general corporate purposes and working capital.

As at 31 December 2021, an analysis of the utilisation of Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	Revised allocation as stated in the Announcement *HK$ million*	Utilised or reserved Net Proceeds as at 31 December 2021 *HK$ million*	Unutilised or unplanned Net Proceeds as at 31 December 2021 *HK$ million*	Expected time of full utilisation
To pursue strategic acquisitions and investment opportunities	2,453.4	2,453.4	—	Not applicable
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	168.5	—	168.5	Before 31 December 2023
— to develop and upgrade the intelligence service systems	72.8	—	72.8	Before 31 December 2023
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	72.8	—	72.8	Before 31 December 2022
— to form a designated team that utilizes big-data technology	72.8	—	72.8	Before 31 December 2022
For general corporate purposes and working capital	72.8	—	72.8	Not applicable
Total	2,913.1	2,453.4	459.7	

The unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above. The expected time of utilisation for the unutilised or unplanned Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and may be subject to change based on the future development of the Company's business and the market conditions. On 10 January 2022, the Board has resolved to further amend the proposed use of Net Proceeds. For details, please refer to the announcement of the Company dated 10 January 2022.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group has approximately 18,000 employees (2020: approximately 9,380 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training appropriate to individual needs. Share option scheme and share award scheme are in place to provide appropriate long-term incentives to the key staff of the Group. For details, please refer to the 2021 annual report of the Company.

FINAL DIVIDEND

The Board has resolved to recommend the payment of a final dividend of RMB12 cents per Share (2020: RMB6 cents per Share) for the year ended 31 December 2021. The proposed final dividend, if approved at the 2022 AGM, will be payable on or around Friday, 5 August 2022 to the Shareholders whose names appear on the register of members of the Company on Friday, 17 June 2022.

The proposed final dividend shall be declared in RMB and payable in HK$. The relevant exchange rate will be based on the average central parity rate of RMB against HK$ as announced by the People's Bank of China for the five business days preceding the date of declaration of dividend.

The proposed final dividend will offer an option to the Shareholders to receive the final dividend in new Shares in lieu of cash. The scrip dividend arrangement is subject to the approval of the listing committee of the Stock Exchange for the grant of the listing of, and permission to deal in, the new Shares to be issued pursuant to such arrangement.

A circular containing details of such scrip dividend arrangement together with the relevant election form is expected to be despatched to the Shareholders in due course.

ANNUAL GENERAL MEETING

The 2022 AGM will be convened and held on Thursday, 2 June 2022 and the notice of the 2022 AGM (the "**2022 AGM Notice**") will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) and despatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

(i) For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2022 AGM, the register of members of the Company will be closed from Monday, 30 May 2022 to Thursday, 2 June 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2022 AGM, all transfer documents accompanied by the relevant share certificates (together the "**Share Transfer Documents**") must be lodged with the Company's Hong Kong share registrar ("**Hong Kong Share Registrar**"), Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 27 May 2022.

(ii) For the purpose of ascertaining Shareholders' entitlement to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 15 June 2022 to Friday, 17 June 2022 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for the proposed final dividend, the Share Transfer Documents must be lodged with the Hong Kong Share Registrar at the address specified above not later than 4:30 p.m. on Tuesday, 14 June 2022.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our Shareholders and to enhance corporate value and accountability. During the year ended 31 December 2021, the Company has adopted and complied with the code provisions as set out in the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") then in force, save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the Appendix 14 to the Listing Rules.

The then applicable code provision A.6.7 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and the then applicable code provision E.1.2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the Chairman, was unable to attend the annual general meeting of the Company held on 3 June 2021 and the extraordinary general meeting of the Company held on 5 July 2021, respectively due to his other engagements.

MODEL CODE FOR SECURITIES TRANSACTIONS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

By the shareholders' resolution passed by the Shareholder at the annual general meeting of the Company held on 3 June 2021, the Directors were granted a general mandate to buy back a maximum of 201,781,023 Shares, representing 10% of the total number of issued Shares as at 3 June 2021. During the year ended 31 December 2021, the Company bought back an aggregate of 700,000 Shares for a total amount of HK$3,580,200 on the Stock Exchange, details of which are as follows:

Date	Number of Shares boughtback	Price per Share Highest	Price per Share Lowest	Total amount paid
		HK$	*HK$*	*HK$*
17 September 2021	400,000	5.25	4.97	2,018,230
20 September 2021	300,000	5.23	5.18	1,561,970
	700,000			3,580,200

All the Shares bought back by the Company have been cancelled on 16 November 2021.

The Board is of the view that such buy-backs were made for the benefit of the Company and the Shareholders as a whole with a view to enhancing the net assets value per Share and earnings per Share of the Company.

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

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2021.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2021 as set out in this announcement have been agreed by the Company's auditor, Ernst & Young, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2021. The work performed by Ernst & Young 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 assurance has been expressed by Ernst & Young on this announcement.

ANNUAL REPORT

The 2021 annual report of the Company containing all the financial and other related information of the Group required by the Listing Rules will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk), and printed copies will be sent to the Shareholders before the end of April 2022.

(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

In order to reflect and align with the new requirements under the amendments on the Listing Rules with effect from 1 January 2022, the Board proposed to put forward to the Shareholders for approval at the 2022 AGM a special resolution to amend the existing articles of association of the Company (the "**Articles of Association**") and to adopt the amended and restated Articles of Association in substitution for, and to the exclusion of, the existing Articles of Association.

The proposed amendments to the Articles of Association (the "**Proposed Amendments**") are mainly related to shareholder protection standards set out in Appendix 3 to the Listing Rules. Full version of the Proposed Amendments will be set out in the appendix to the circular to be despatched to the Shareholders.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the 2022 AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the 2022 AGM, the prevailing Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the revised Articles of Association will be published on the websites of the Stock Exchange and the Company.

A circular containing, among other things, full version of the Proposed Amendments together with the 2022 AGM Notice will be despatched to the Shareholders in due course.

By order of the Board
KWG Living Group Holdings Limited
Mr. KONG Jianmin
Chairman

Hong Kong, 28 March 2022

As at the date of this announcement, the Board of Directors of the Company comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan (Chief Executive Officer), Ms. YANG Jingbo and Mr. WANG Yue as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.