



Excellence

卓越商企服務集團有限公司

EXCELLENCE COMMERCIAL PROPERTY & FACILITIES
MANAGEMENT GROUP LIMITED

(Incorporated in the Cayman Islands with Limited Liability)

Stock Code: 6989

2023 ANNUAL REPORT





CONTENTS

2	Corporate Information
4	Chairman's Statement
6	Management Discussion and Analysis
34	Directors and Senior Management
40	Report of the Directors
61	Corporate Governance Report
78	Independent Auditor's Report
87	Consolidated Statement of Profit or Loss
88	Consolidated Statement of Profit or Loss and Other Comprehensive Income
89	Consolidated Statement of Financial Position
91	Consolidated Statement of Changes in Equity
93	Consolidated Statement of Cash Flows
94	Notes to the Consolidated Financial Statement
171	Five-Year Financial Summary

Corporate Information

DIRECTORS

Executive Directors

Mr. Li Xiaoping (*Chairman*)
Mr. Yang Zhidong
(*appointed with effect from 15 August 2023*)

Non-executive Directors

Ms. Guo Ying (*redesignated from executive Director to non-executive Director with effect from 15 August 2023*)
Mr. Wang Yinhu
Mr. Wang Dou (*resigned with effect from 15 August 2023*)

Independent non-executive Directors

Professor Cui Haitao
(*appointed with effect from 22 March 2024*)
Mr. Kam Chi Sing
Ms. Liu Xiaolan
Mr. Huang Mingxiang
(*resigned with effect from 22 March 2024*)

JOINT COMPANY SECRETARIES

Mr. Jia Jie
Mr. Cheung Kai Cheong Willie

AUDIT COMMITTEE

Mr. Kam Chi Sing (*Chairman*)
Ms. Guo Ying (*appointed with effect from 15 August 2023*)
Professor Cui Haitao
(*appointed with effect from 22 March 2024*)
Ms. Liu Xiaolan
Mr. Wang Dou (*resigned with effect from 15 August 2023*)

REMUNERATION COMMITTEE

Professor Cui Haitao (*Chairman*)
(*appointed with effect from 22 March 2024*)
Mr. Li Xiaoping
Mr. Kam Chi Sing
Ms. Liu Xiaolan
Mr. Huang Mingxiang
(*resigned with effect from 22 March 2024*)

NOMINATION COMMITTEE

Mr. Li Xiaoping (*Chairman*)
Professor Cui Haitao
(*appointed with effect from 22 March 2024*)
Mr. Kam Chi Sing
Ms. Liu Xiaolan
Mr. Huang Mingxiang
(*resigned with effect from 22 March 2024*)

STRATEGY AND ESG COMMITTEE

Mr. Li Xiaoping (*Chairman*)
Ms. Guo Ying
Mr. Wang Yinhu
Ms. Liu Xiaolan

AUTHORIZED REPRESENTATIVES

Mr. Li Xiaoping
Mr. Cheung Kai Cheong Willie

LEGAL ADVISORS

As to Hong Kong law:
Dentons Hong Kong LLP
Suite 3201, 32/F, Jardine House
No. 1 Connaught Place
Central
Hong Kong

As to PRC law:
Guangdong Putiange Law Firm
Room 5805A, Tower A
Riverfront Times Square
9289 Binhe Road
Futian District, Shenzhen
Guangdong Province
PRC

Beijing Dentons Law Offices, LLP (Shenzhen)
3, 4, 12/F, Building A
International Innovation Center
1006 Shennan Road
Futian District, Shenzhen
Guangdong Province
PRC

COMPLIANCE ADVISOR

Dakin Capital Limited
Suite 3111A, 31st Floor
Tower 2, Lippo Centre
89 Queensway
Hong Kong

AUDITORS

KPMG

*Certified Public Accountants and Public Interest Entity
Auditor registered in accordance with the Accounting and
Financial Reporting Council Ordinance*

8th Floor, Prince's Building
10 Chater Road
Central
Hong Kong

PRINCIPAL BANKS

Industrial and Commercial Bank of China Limited, Shenzhen Xihaian Branch

1st Floor, Ocean Heart Building Intersection
of Houhai Road and Chuangye Road
Nanshan District, Shenzhen
Guangdong Province
PRC

Agricultural Bank of China Limited, Shenzhen Information Hub Center

Branch 3rd Floor, Qun Block Information Hub Building
48 Yitian Road
Futian District, Shenzhen
Guangdong Province
PRC

China Merchants Bank, Shenzhen Excellence Times Square Branch

1st Floor, Excellence Times Square
4068 Yitian Road
Futian District, Shenzhen
Guangdong Province
PRC

REGISTERED OFFICE

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

HEADQUARTERS AND REGISTERED OFFICE IN THE PRC

38th Floor, Tower 4
Excellence Century Center
Fuhua Third Road
Futian District, Shenzhen
Guangdong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
248 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE CAYMAN ISLANDS

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

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

STOCK CODE

6989

WEBSITE

<http://www.excepm.com>

INVESTOR RELATIONS:

Email: ir@exceam.com

Chairman's Statement

Dear shareholders:

Over the past year, China's real estate sales and development investment still faced a significant negative growth, with weak consumption and low prices in general. Under this backdrop, many enterprises are experiencing new operating situations such as declining profitability, and cost reduction and efficiency enhancement have become a new development issue for the past and the coming year.

While exerting strenuous efforts in a market environment full of challenges, Excellence Commercial Property & Facilities Management Group Limited (the "**Company**" and its subsidiaries (collectively the "**Group**", "**Excellence CM**" or "**we**" or "**our**") has upheld our original intention to adhere to the business development strategy of "focus on growth", and fully advanced the market-oriented process, thereby achieving a steady expansion of the overall business and a significant growth in business independence. We have realised an overall revenue growth of 11.3% in 2023, while achieving inspiring achievements in a number of business areas, which have demonstrated considerable growth potential. With respect to the main business development, we have effectively consolidated and expanded our business footprint by cultivating strategic customers and creating benchmark projects, as well as maintained solid partnerships with many renowned customers in China, such as leading enterprises in the high-tech and Internet sectors, with the aim of always maintaining our leading position in the commercial property sector. In terms of the value-added business, we have explored the multi-dimensional needs of customers to provide special value-added services, and realised a leap from a single service to diversified services. In addition, we have successfully expanded into new areas of public and industrial properties, expanded our business scale through acquisitions and M&A, and achieved good growth momentum in the areas such as healthcare, rail transportation and education.

At the same time, in 2023, we continued to develop two core advantageous regions of the Greater Bay Area and the Yangtze River Delta Region, and has focused on the cities with high economic growth and high potential, achieving steady development in GFA under management. In particular, the contribution from the first-tier and emerging first-tier cities as well as two major core economic circles was significant, accounting for as high as 70% to 80%. We have also achieved significant effectiveness in terms of the advancement in core competency building, and improved the efficiency of business decision-making through the construction of internal and external digital operation capability. We have focused on cultivating key business talents, and facilitated organic business growth through the forms of organisational reform and motivational reform to build competitive barriers.

The Board has always paid significant attention to the shareholders' interests, and expresses its sincere gratitude to shareholders for their trust and support to the Company. Therefore, we have resolved to maintain a high dividend payout ratio with a dividend payout ratio of not less than 70% for 2023. In addition, we also strive to continue to practice our commitment to the shareholders, in an attempt to reward the shareholders with more outstanding results performance in the future.

Chairman's Statement

Looking to the future, we will continue to strive to be the leading commercial real estate service operator in China. In 2024, we will continue to advance in-depth cultivation of strategic customers, consolidate our leading market position, and expand market share. At the same time, we will seek for a breakthrough in performance of new businesses, and expand the market share in the healthcare property service sector through acquisitions and resources consolidation. We will accelerate the improvement of value-added services, and meet the diverse needs of business scenarios through customised services, and provide customers with precise and efficient service experience. We will also actively promote core competency building, cultivate internal talents and introduce outstanding talents, as well as enhance management efficiency and decision-making support through the digital platform. Meanwhile, we will be committed to integrating management systems, carrying out standardised operations, optimise the governance structure and reduce the management costs. We will continue to take a customer-oriented approach to optimise the governance structure, deepen digital transformation, focus on value creation, and achieve steady development.

In this era full of opportunities and challenges, we will live up to our mission, enhance cohesiveness, and achieve sustainability in steady steps. We believe that we will definitely realise our vision with concerted efforts and wisdom of our employees, and create sustainable value for our shareholders and investors.

Li Xiaoping

Chairman

Hong Kong, 27 March 2024

Management Discussion and Analysis

REVIEW OF ANNUAL RESULTS

I. BUSINESS OVERVIEW

ANALYSIS OF THE PRINCIPAL ACTIVITIES

(I) Principal Activities of the Group During the Year Ended 31 December 2023 (the “Reporting Period”)

Excellence CM is a leading commercial real estate service operator in China, which is dedicated to the provision of full-life cycle asset maintenance and full-chain service solutions for customers to fulfil customers’ comprehensive value expectations and assist enterprises in achieving business visions.

In 2023, faced with complex and volatile market conditions, Excellence CM has been adhering to its long-term development strategy, responding flexibly to market changes, strengthening business independence planning, upholding the business philosophy of steady development, centring around customer needs, constantly optimising business structure, deepening digital transformation, focusing on value creation, and fostering the Company’s independent, healthy and sustainable development capability.

The Group’s main businesses included basic property management services, value-added services and other relevant businesses.

1. *Basic Property Management Services*

The Company’s basic property management services are provided to various types of businesses, including commercial properties, public and industrial properties and residential properties.

(1) *Commercial Property Management Services*

With its management experience accumulated over two decades, the Company has focused on the development of commercial properties as its main business activities, and has formed a complete commercial property service model.

Management Discussion and Analysis

- Property management (“**PM**”) Commercial Office Services

The Company serves a large number of Central Business District (“**CBD**”) landmark office buildings and high-tech enterprises to gain the brand advantages from the high-end commercial projects in the PM business segment and build the capability strength by integrating asset services and corporate services.

The scope of services covers businesses such as preliminary consultation, marketing management, space management, asset leasing and sales agency, smart platform construction, facility maintenance and property comprehensive services.

Signature projects: Shenzhen Excellence Century Centre, Shenzhen One Excellence, Qingdao Excellence Century Center, Excellence City of Shenzhen (深圳卓越城), Excellent Broadway of Shenzhen (深圳卓越大百滙)

- Facility Management (“**FM**”) Comprehensive Facility Management Services

The customers served by the Company are mainly Fortune 500 companies and high-tech enterprises. We are dedicated to providing customers with full-life cycle asset maintenance and full-chain comprehensive service solutions, constructing a sound and systematic back-office support system, and forming a matrix of quality customers mainly in the Internet, high-tech, finance, modern service and manufacturing industry.

We provide a customised model of comprehensive facility management for enterprises and customise strategic long-term planning. We apply IoT, big data, AI and other advanced technologies to create the E+ smart two-pronged platform. Leveraging on the digital operation management technology, we establish solutions for the full-life cycle of facilities such as operation and maintenance management, project management, space management, energy consumption management, environmental management, security management and integrated services to enhance project management efficiency, thereby creating maximum value for corporate customers.

Signature projects: Sky City of DJI, Dongguan OPPO Headquarters, Huawei Suzhou Research Institute

Management Discussion and Analysis

(2) *Public and Industrial Property Services*

The Company has established an integrated market-oriented organizational framework, and developed government public infrastructures, urban services businesses, and other functional bodies following the marketisation of education and healthcare by multiple channels, so as to continuously develop new tracks in pursuit of joint development through multiple business momentum.

We provide a full range of operational services in the public sector. In addition to basic property services, we also offer special services for different public projects. We continue to enhance our business capabilities in the areas of government and public property services through professionalism, internationalisation, innovation and technology.

Signature projects: Haikou Haihang Base (海口海航基地), Guangzhou Metro Project (廣州地鐵項目), Affiliated Hospital of Nantong University (南通大學附屬醫院)

(3) *Residential Property Services*

The Company has developed a model of high-end residential property services in many cities across China, including pre-intervention and takeover acceptance, decoration management, customer management, environmental management, equipment and facilities maintenance, fire management and other systematic services. We spearheaded to introduce international service standards and launched “Five-heart” excellent butler (五心“悦”管家) services and “4INS Good Life” (4INS美好生活) services to reshape the physical space, cultural space and digital space of the community regarding the customers’ satisfaction as the origin and centre. We provide individuals and families with safe, convenient, comfortable and joyful living experience.

Signature projects: Shenzhen Cote d’Azur (深圳蔚藍海岸), Shenzhen Queen’s Road (深圳皇后道), Shenzhen Excellence Victoria Harbour (深圳卓越維港), Shenzhen Dongguan Qingxi Yuncui (東莞晴熙雲翠)

Management Discussion and Analysis

2. *Value-added Services*

The Company has continued to provide customers with personalised, customised and digitalised value-added service innovation, explored the multi-dimensional needs of customers, and realised the change from a single service to diversified services, with development focuses on assets services, Zhuopin business services, construction and mechanical and electrical services, and other types of professional value-added services.

1) *Asset Services*

The Company provides preliminary property consulting services, and offers reasonable suggestions on pre-intervention in project planning and design, construction management and acceptance handover so as to save construction costs, meet customer expectations regarding the use of functions, improve post-property operation efficiency, and avoid operational risks.

In addition, we provide customers with professional leasing and second-hand housing asset management services, and offer whole-process leasing value-added services to ensure maximised property occupancy rates and asset investment returns.

2) *Zhuopin Business Services*

“Zhuopin Business”, a high-end service brand of Excellence CM, integrates “Internet+”, “self-built supply chain” and “concierge high-end services” capabilities to provide one-stop business office supporting services for high-tech and Fortune 500 companies with the B to B for C model, mainly including high-end business services, corporate value-added services, enterprise digital empowerment and other various solutions.

3) *Construction and Mechanical and Electrical Services*

Cooperating with its subsidiary, Shenghengda Construction Technology Group Co., Ltd., the Company has developed the “green & smart electromechanical” special service, built a community ecosystem by integrating the comprehensive “hardware + software + platform + service” solution, and achieved systematic development across multiple sectors, thus defining a large electromechanical ecosystem and driving performance growth by capturing technology and green development.

Management Discussion and Analysis

3. *Joint Venture and Mergers and Acquisitions (“M&A”)*

Through the establishment of joint ventures with various governments and state-owned platforms, the Company has integrated the government’s resource advantages and fully leveraged on its strengths in the commercial property sector to jointly develop the market.

Meanwhile, the Company positions and focuses on the advantageous economic zones and actively promotes the implementation of joint venture and M&A strategy by interpreting policies. We actively review and enhance our existing development by promoting our presence in first-tier and emerging first-tier cities and tapping into various arenas to help drive market development, thereby improving the competitive industry chain and building our competitive advantages in the industry.

The Company is currently joining hands with Shanghai Yaozhan Hospital Management Group to share resources and achieve win-win cooperation for sustainable development.

(II) Performance Overview

In 2023, the Company adhered to the business development strategy of “focusing on growth” and fully advanced market orientation, achieving steady expansion of its overall business and significant enhancement of its business independence.

With respect to the main business development, we effectively drove the business growth through the in-depth cultivation of strategic customers and creation of benchmark projects. The Company continued to maintain our leading position in the commercial property sector through solid cooperation with leading companies in the technology and Internet sectors.

In terms of the development of new businesses, we expanded our business scale through M&A, and built up our competitiveness in the healthcare and public construction sub-segments to establish the second growth curve.

In regard to the value-added business, the Company effectively enhanced customer experience and built diversified services with the characteristics Excellence through the two-pronged drive of value-added service products and service platform integration.

For the core competency development, we strengthened internal and external digital operation capabilities to improve business decision-making efficiency and facilitate business expansion. At the same time, we focused on cultivating key business talent, and facilitated organic business growth through the forms of organisational reform and motivational reform to build competitive barriers.

Of the Group’s total revenue by business type during the Reporting Period, commercial properties, public and industrial properties, residential properties, value-added services and other services accounted for 55.3%, 12.2%, 14.5%, 17.3% and 0.7%, respectively.

Management Discussion and Analysis

1. Continuous Growth in Business Scale

Focusing on the “1+1+X” strategy, the Group has developed two core advantageous regions of the Greater Bay Area and the Yangtze River Delta Region, and has focused on the development in first-tier, emerging first-tier and other high-value cities, achieving balanced development in key regions nationwide. With respect to the gross floor area (“GFA”) under management, first-tier and emerging first-tier cities such as Beijing, Shanghai, Shenzhen, Guangzhou, Chengdu, Hangzhou and Chongqing accounted for 77.6%, and the two core economic zones of Guangdong-Hong Kong-Macao Greater Bay Area and the Yangtze River Delta accounted for 62.4%.

For the year ended 31 December 2023, our contracted GFA was approximately 76.7 million sq.m., representing an increase of approximately 9.5% over the corresponding period in 2022. The GFA under management amounted to approximately 64.1 million sq.m., representing an increase of approximately 19.2% as compared with the corresponding period in 2022.

The following table sets forth the changes in GFA under management for the years ended 31 December 2022 and 2023, respectively:

	2023 sq.m.'000	2022 sq.m.'000
At the beginning of the Reporting Period	53,760	36,635
New engagements	13,154	17,066
New acquisitions	2,825	4,505
Terminations	(5,673)	(4,446)
At the end of the Reporting Period	64,066	53,760

The following table sets out the total GFA under management and a breakdown of the total revenue from property management services by geographical area for the years ended 31 December 2022 and 2023, respectively.

	2023				2022			
	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)	GFA under management (sq.m.'000)	Proportion of the GFA (%)	Revenue (RMB'000)	Proportion of the revenue (%)
Greater Bay Area ⁽¹⁾	24,389	38.1	1,641,898	51.0	23,378	43.5	1,616,597	57.4
Yangtze River Delta Region ⁽²⁾	15,565	24.3	685,369	21.3	10,591	19.7	391,693	13.9
Other Region ⁽³⁾	24,112	37.6	894,093	27.7	19,790	36.8	806,503	28.7
Total	64,066	100.0	3,221,360	100.0	53,760	100.0	2,814,793	100.0

Management Discussion and Analysis

Notes:

- (1) Cities in which we provided property management services to properties in the Greater Bay Area include Shenzhen, Guangzhou, Zhuhai, Huizhou, Dongguan, Zhongshan, etc.
- (2) Cities in which we provided property management services to properties in the Yangtze River Delta Region include Shanghai, Nanjing, Hangzhou, Suzhou, Jiaxing, Yangzhou, Nantong, Wuxi, Taizhou, etc.
- (3) Cities in which we provided property management services to (i) properties in the other regions in China, including Beijing, Xi'an, Qingdao, Zhengzhou, Chongqing, Chengdu, Wuhan, Tianjin, Jinan, Shijiazhuang, Changsha, Fuzhou, Nanchang, Jinjiang, etc.; and (ii) projects in India.

2. *Steady Expansion of Main Businesses*

In 2023, the Company continued to maintain its solid position in the core strength of the commercial property sector, with the main businesses leading the steady expansion of the third-party business development and significantly enhanced business independence.

Leveraging on our excellent market expansion capabilities, the Company has continued its efforts in the main businesses, achieved solid expansion, and carried out in-depth cooperation with many renowned and quality clients in China. At the same time, we continued to consolidate and expand our advantages in the high-end business services sub-segment, with a wide range of customers, which have not only demonstrated a good development trend in the areas across high-tech, the Internet and smart vehicles, but also obtained the first-mover advantage in the high-end manufacturing industry, laying a solid foundation for our market development in sub-segments.

For the Reporting Period, the revenue from commercial property services accounted for 67.4% of the revenue from basic property services, and the basic property service income from third parties business increased by 17.6% as compared to the same period in 2022.

In public and industrial properties, the Group developed a number of new government public construction projects in 2023, along with good growth momentum in the healthcare, rail transportation and education sectors. During the Reporting Period, revenue from public and industrial properties increased by 125.1% as compared to the same period in 2022.

Management Discussion and Analysis

In residential properties, we mainly provide a number of urban high-end development projects under the Excellence Group with services. During the Reporting Period, revenue from residential properties increased by 31.2% as compared to the same period in 2022.

	For the year ended 31 December 2023				For the year ended 31 December 2022			
	GFA under management		Revenue		GFA under management		Revenue	
	(sq.m.'000)	(%)	(RMB'000)	(%)	(sq.m.'000)	(%)	(RMB'000)	(%)
Commercial properties	25,623	40	2,172,046	67.4	24,479	45.5	2,166,727	77.0
– Excellence Group	2,914	4.5	764,516	23.7	2,906	5.4	756,307	26.9
– Third-party property developers	22,709	35.5	1,407,530	43.7	21,573	40.1	1,410,420	50.1
Public and industrial properties	13,624	21.3	477,422	14.8	10,200	19.0	212,114	7.5
Residential properties	24,819	38.7	571,892	17.8	19,081	35.5	435,952	15.5
Total	64,066	100.0	3,221,360	100.0	53,760	100.0	2,814,793	100.0

3. In-depth Cultivation of Strategic Customers

The Company adhered to the strategy of in-depth cultivation of strategic customers. Through the in-depth development mechanism of strategic customers, we achieved the business objectives of “promoting high performance, contract renewal and growth” in strategic cooperation in 2023. The contract value from new strategic customers amounted to RMB627 million, with 100% retention rate of strategic customers.

In 2023, the Company optimised the operation mechanism of the strategic customer business department to further focus on customer needs, strengthen operation management and talent protection, significantly enhance core competitiveness, and create benchmark projects for strategic customers, fully demonstrating the Company’s competitiveness in the area of customer full-life cycle services, further solidifying service quality, and bringing new momentum to the Company’s development.

The Company has upheld the “long-term” strategy and kept abreast with the development of strategic customers over the years to continuously improve customer satisfaction and business performance. During the year, the Company successfully entered into contracts for two major headquarters projects with tech giants, while winning the bids for two major manufacturing park complexes consecutively relying on the benchmark demonstration effect and market reputation of its strategic customers, which further consolidated the Company’s operational capability in the manufacturing industry and gradually demonstrated the strong ripple effect of its strategic customers.

Management Discussion and Analysis

4. *Second Growth Curve for New Business Development*

Adhering to the concept of “win-win cooperation and complementary advantages”, the Company has continued to expand its value in the development of new businesses through the measures such as joint ventures and strategic acquisitions to steadily build up the second growth curve.

With respect to the medical business, the Company has been actively consolidating quality resources in the medical business through M&A to build a professional service management platform for medical properties, in an attempt to swiftly enhance its high-quality and reliable professional service capability. Currently, we have achieved a stage progress in the healthcare business.

At the same time, the Company has focused on the public construction sub-segment. Based on the advantageous regions, we have cultivated the urban rail transportation business in Guangzhou, realising the effective precipitation and radiation extension of resources. In addition, we continue to optimise our business structure and accelerate our commitment to the university market through targeted breakthroughs, with the aim of continuously expanding new business growth points.

For the Reporting Period, we achieved a total contract value from the newly expanded businesses of RMB198 million, representing an increase of 87.5% year-on-year, with annualised contract value of RMB98 million, representing an increase of 112.2% year-on-year.

5. *Provision of Value-added Products and In-depth Expansion of Sub-segments*

During the Reporting Period, the Company continued to expand its service boundaries and steadily increase its market capability, realising diversified and rapid growth in its value-added services. Among them, the construction and mechanical and electrical services and Zhuopin business services witnessed a good trend of double growth.

“Zhuopin Business”, a high-end commercial brand of the Company, focused on the diversified needs of customers, integrated multi-industry service scenarios, and created a unified value-added service platform. We bridged the needs of multi-industry and multi-scenario customers through in-depth cultivation and expansion of sub-segments, providing customers with a more efficient and convenient user experience, thereby achieving sustainable value enhancement.

In 2023, the construction and mechanical and electrical services moved towards independent market development, kept abreast with the industry development trends, and adjusted markets and target customers, resulting in a significant growth in the performance. In response to the government policy, we have expanded the business boundary, and promoted business diversification. At the same time, we have promoted research and development and innovation of construction materials, which have contributed new growth points for the Company’s performance.

Management Discussion and Analysis

ANALYSIS OF THE CORE COMPETENCE

(I) High-quality Brand Image

The Company serves various corporates from Fortune 500, including many reputed high-tech enterprises, internet enterprises, and financial enterprises, and has gained extensive recognition from the industry and the society with leading comprehensive strength and service quality ahead of the industry.

Since 2008, the Group has been named TOP100 Property Management Companies in China by the China Index Academy for sixteen consecutive years. Our major awards in 2023 are as follows:

“TOP100 Property Management Companies in China (TOP12)”, “China IFM Service Outstanding Enterprise (TOP2)”, “2023 China Office Property Management Exceptional Companies”, “2023 China Property Community Value-added Service Excellent Enterprise”, “2023 TOP20 Enterprises with Office Property Management in China (TOP2)”, “2023 TOP10 Enterprises with Office Property Management in the Guangdong, Hong Kong and Macao Greater Bay Area (TOP1)”.

In addition, a number of the Group’s property management projects were honored with benchmarking titles:

“2023 Excellent Benchmark Project of Property Management in China – Shenzhen Excellence Century Centre”, “2023 Benchmark Project of Commercial Property Management in China – Excellence City of Shenzhen”, “2023 Residential Benchmark Project with Property Management in the Guangdong, Hong Kong and Macao Greater Bay Area – Shenzhen Dongguan Qingxi Yuncui”, etc.

(II) Strategic Talent Cultivation and Development

The Company has put forward higher requirements for talent cultivation and reserve due to rapid expansion of the businesses. While maintaining stable operations, the Company has commenced in-depth strategic talent cultivation and reserve for the future, so as to build up its core competitiveness in the medium to long term.

We have constructed a comprehensive talent ecosystem, focusing on the cultivation of “New Wing” management trainees as the new force. Through the implementation of the “Excellent Talent” and “Excellence Performance” Scheme, we have successfully cultivated a batch of professional management talents with the characteristics of Excellence to form a highly efficient team and strengthen the echelon construction.

In addition, we have adopted a long-term training model that integrates training and battle, focusing on the cultivation of strategic talents. Combining the needs of projects and clients, we ensure that the growth of key talents is in line with the Company’s strategic goals.

At the same time, the Company fully activated the construction of management culture. With business development as the foundation, we promoted the three major mechanisms of “implementation, collaboration, incentives”. This not only provides a long-term stable cornerstone for talent development, but also stimulates employees’ motivation and creativity, laying a solid foundation for the Company’s sustainable development.

Management Discussion and Analysis

(III) Steady Business Expansion Driven by Digitalisation

Digitalisation is the focus of core competency building of Excellence CM. The Company has been unwaveringly promoting digital construction to improve the efficiency of business decision-making, facilitate diversified operations, and enhance its core competitiveness.

With respect to operations and management, the Company continues to promote the digitisation of the entire procedures of business functions, integrating the support of the main database and BI analysis tools, collecting data through the digital system, providing rapid support for business analysis and decision-making, and significantly enhancing the risk control capability throughout the full-life cycle of projects.

In terms of business operation, the Company has launched the “smart two-pronged platform” with both internal and external advantages. Internally, the Company has utilised the “smart park” integrated with AI technology to enhance the digitalisation level of the park and realise efficient and convenient management services. Externally, the Company has constructed a unified value-added service platform to optimise customer experience, meet the needs of multi-industry scenarios, and create more value for customers.

During the Reporting Period, digitalisation had a significant impact on the enhancement in core competitiveness of the business.

Through linking up the whole chain of services, the value-added services platform achieved an improvement in purchasing efficiency and management efficiency, thereby bringing significant customer value realisation.

The construction of the smart park has significantly enhanced user experience. Through the introduction of AI technology and the launch of smart community scenario 5.0, the park has realised the digitalisation of 35 scenarios, further expanding the coverage of smart services and providing users with more convenient and efficient services.

OUTLOOK

(I) Strategic Planning

Looking ahead, the Group will continue to focus on the vision of being “a leading commercial real estate service operator in China”, adhere to the strategic direction of “three major constructions and two drivers”, solidify its foundation through “team building, business building and competence building”, and support growth with its two main drivers of “value distribution and culture management” to facilitate business development, aiming to exert continuous efforts in developing our three main businesses (FM, PM, residential) and three extended businesses (value added services, M&A, new businesses).

Management Discussion and Analysis

(II) Business Development Strategy

The Company adheres to long-term strategic planning, upholds the management idea of steady growth, actively promotes independent market development, and continues to strengthen our independent, healthy and sustainable development capability. The Company will enhance its organisational efficiency through internal drive, aiming to form a strong synergy, continue to focus on the Group's medium- and long-term strategic development objectives and build a stable moat.

1. Focus on Growth

The Company will insist on its strategy of pursuing joint development through multiple business momentum, fully leverage on the synergies of internal and external resources, and adhere to the business strategy of “three main businesses + three extended business” and jointly promote business development for new businesses.

1) Cultivation of Strategic Customers

With respect to main business development of the FM sector, the Company will continue to insist on cultivating strategic customers, deepening the cooperation mechanism, strengthening the customer base, setting up industry benchmarks, and driving the sustained growth of the business.

At the same time, relying on the vertical volume and brand effect of strategic customer services, we will continue to enlarge business scale, and further consolidate our leading market position in the commercial property segment.

2) Breakthrough in Performance of New Businesses

In the “three extended” business area, the Company will continue to promote the development of new sectors, and make multiple breakthroughs in the areas of healthcare, public construction and education, so as to rapidly improve business scale and capabilities.

At the same time, we will continue to leverage our professional operational experience and capabilities, integrate quality resources, continue to promote the market expansion system reform, advocate the concept of public marketing, build diversified business segments, enhance market risk resistance capacity, and promote rapid and steady business development.

3) Focus on Rapid Development of Value-added Services

For the value-added services, the Company has consolidated the unified value-added service platform to enhance customer experience and operational efficiency; accelerated the market development process of the mechanical and electrical business to demonstrate its competitiveness.

In the future, the Company will continue to deepen its product development strategy, continue to optimise and improve the service procedures, and achieve synergy and integration between its value-added business products and projects, thereby achieving the last mile of the business development to provide customers with a more precise and efficient service experience, thus realising sustainable value enhancement.

Management Discussion and Analysis

2. Core Competency Building

In terms of core competency building, the Company focuses on three key areas: digital transformation, talent vitality enhancement and management system optimisation. The full promotion of these measures can stimulate organisational vitality, enhance management efficiency, strengthen digital capabilities, and build a solid barrier to market competition, thereby providing a strong guarantee for the Company's long-term development.

1) Talent Vitality Construction

Talent is the cornerstone of the Company's development. We will insist on the integration of internal talent cultivation and talent introduction, emphasise on career planning and training of employees, actively expand talent channels, and introduce excellent talents. At the same time, through the dual drive of the incentive mechanism and management culture, we will stimulate the potential of our employees, build a stable talent pool and efficient transferring system, activate the organisation vitality, and provide solid talent protection for business development.

2) Digital-enabled Management Capabilities

The Company is committed to the management and enhancement of its digital capabilities. This year, we will commence the full deployment of the whole-process digital platform of projects to accelerate digital transformation.

For the construction of the digital platform, we rely on the main database to coordinate the operation management system and functional platforms to break down information barriers, ensure data sharing and optimise resource allocation. By optimizing and innovating business procedures, we will achieve seamless connection between business terminals and ensure the transparency and efficiency of the business procedures. At the same time, we will optimise standardisation rules, regulate management actions, reinforce precise control, effectively reduce costs and improve management efficiency.

3) Management System Integration Capabilities

The Company will comprehensively build a pull-through management system, specifically focusing on three key aspects: Firstly, we will deepen standardisation deployment, collaborate with think tanks, cloud platforms and other information technology projects, optimise resource allocation, achieve business empowerment, and enhance decision-making accuracy and business efficiency. Secondly, we will optimise the governance structure, clarify departmental responsibilities, and strengthen internal communication and collaboration. Thirdly, we will lower the costs and achieve sustainable growth of economic benefits through process optimisation and efficiency enhancement.

Looking ahead, we will continue to adhere to customer-oriented approach, optimise the corporate governance structure, deepen digital transformation, and continue to focus on value creation in an attempt to strive for excellence, achieve steady development and explore new opportunities.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

During the Reporting Period, the revenue of the Group amounted to RMB3,926.81 million (the corresponding period in 2022: RMB3,527.40 million), representing an increase of 11.3% as compared with the corresponding period last year.

The revenue of the Group was derived from three main businesses: (i) basic property management services; (ii) value-added services; and (iii) other business.

	For the year ended 31 December					
	2023		2022		Change	
	Amount (RMB'000)	(%)	Amount (RMB'000)	(%)	Amount (RMB'000)	Percentage
Revenue						
Basic property management services	3,221,360	82.0	2,814,793	79.8	406,567	14.4
Value-added services	679,272	17.3	668,710	19.0	10,562	1.6
Other business	26,176	0.7	43,893	1.2	(17,717)	(40.4)
Total revenue	3,926,808	100.0	3,527,396	100.0	399,412	11.3

During the Reporting Period, the revenue from basic property management services was RMB3,221.36 million (2022: RMB2,814.79 million), representing an increase of 14.4% as compared with the same period of last year.

Basic Property Management Services

The following table sets forth (i) a breakdown of the GFA under management as of the dates indicated by type of property developer; and (ii) a breakdown of the revenue from the Group's basic property management services for the years indicated:

	For the year ended 31 December 2023/ As of 31 December 2023				For the year ended 31 December 2022/ As of 31 December 2022			
	GFA under management (sq.m.'000)		Revenue (RMB'000)		GFA under management (sq.m.'000)		Revenue (RMB'000)	
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	
Commercial properties	25,623	40.0	2,172,046	67.4	24,479	45.5	2,166,727	77.0
Public and industrial properties	13,624	21.3	477,422	14.8	10,200	19.0	212,114	7.5
Residential properties	24,819	38.7	571,892	17.8	19,081	35.5	435,952	15.5
Total	64,066	100.0	3,221,360	100.0	53,760	100.0	2,814,793	100.0

For the year ended 31 December 2023, the Group's GFA under management was 64.07 million sq.m., representing an increase of 19.2% from 53.76 million sq.m. as at the same period of 2022. Commercial properties accounted for 40.0% (or 25.62 million sq.m.), public and industrial properties accounted for 21.3% (or 13.62 million sq.m.), and residential properties accounted for 38.7% (or 24.82 million sq.m.).

Management Discussion and Analysis

Coverage of the GFA under Management

The Group operated its businesses in two major regions (the Greater Bay Area and the Yangtze River Delta Region) and other cities with high potential. As of 31 December 2023, projects under management of the Group covered 60 cities across China. By region, 38.1% of the GFA under management was located in the Guangdong-Hong Kong-Macao Greater Bay Area, 24.3% was located in the Yangtze River Delta urban agglomeration, and 37.6% was located in other regions.

Value-added Services

During the Reporting Period, the revenue from value-added services increased by 1.6% to RMB679.27 million from RMB668.71 million in the corresponding period of 2022, accounting for approximately 17.3% (for the year ended 31 December 2022: 19.0%) of the total revenue.

The growth in value-added services was mainly attributable to the growth in the revenue from property owner value-added services. Revenue from property owner value-added services recorded a significant increase of 105.4% as compared with the same period of last year. Non-property owner value-added services has taken the initiative to scale down, recording a decrease in revenue of 29.0% compared with the corresponding period of last year.

Other Business

The revenue from other businesses mainly arose from financial services and apartment leasing services.

During the Reporting Period, the revenue from other businesses decreased to approximately RMB26.18 million from RMB43.89 million for the corresponding period of 2022, mainly attributable to the decrease of revenue from financial services by approximately RMB16.86 million compared with last year.

Cost of Sales

The Group's cost of sales mainly consisted of staff costs, subcontracting costs, cleaning costs, repair and maintenance costs, utility costs, carpark expenses, office expenses, depreciation and amortisation, rental expenses and others.

During the Reporting Period, the Group's cost of sales amounted to RMB3,180.12 million (2022: RMB2,683.05 million), representing an increase of 18.5% in 2022, which was primarily due to an increase in staff costs, subcontracting costs and cleaning costs.

Gross Profit and Gross Profit Margin

The table below sets forth a breakdown of the gross profit and gross profit margin of the Group by business line for the periods indicated:

	For the year ended 31 December			
	2023		2022	
	Gross profit (RMB'000)	Gross profit margin (%)	Gross profit (RMB'000)	Gross profit margin (%)
Basic Property Management Services	591,804	18.4	593,219	21.1
Value-added Services	137,887	20.3	221,285	33.1
Other Businesses	17,000	64.9	29,842	68.0
Total	746,691	19.0	844,346	23.9

Management Discussion and Analysis

During the Reporting Period, the Group's gross profit was RMB746.69 million, representing a decrease of 11.6% from RMB844.35 million in 2022. The gross profit margin decreased to 19.0% in the Reporting Period from 23.9% for the corresponding period in 2022, which remains at a good level.

The gross profit margin of basic property management services was 18.4% (2022: 21.1%), representing a decrease of 2.7 percentage points from last year, mainly due to the decrease in gross profit margin of the Group's third-party development business as a result of fierce competition in the extended development market.

The gross profit margin of value-added services was 20.3% (2022: 33.1%), representing a decrease of 12.8 percentage points from last year, mainly attributable to the Group's initiative to scale down non-property owner value-added services during the Reporting Period. The gross profit margin of non-property owner value-added services was 18.2%, representing a decrease of 17.2 percentage points from 35.4% in 2022.

The gross profit margin of other businesses was 64.9% (2022: 68.0%), representing a decrease of 3.1 percentage points from last year, mainly attributable to the decrease in gross profit margin as a result of losses in the apartment leasing business and downsizing of financial services.

Other Revenue

The Group's other revenue mainly consisted of interest income and government grants.

During the Reporting Period, other revenue was RMB52.76 million (2022: RMB66.74 million), representing a decrease of 20.9% from last year, mainly attributable to the decrease of interest income from bank deposit.

Other Net Gain

The Group's other net gain mainly consisted of gains on exchange, gain on wealth management investments and gain on disposal of assets.

During the Reporting Period, other net gain amounted to RMB13.74 million (2022: RMB11.15 million), which was mainly due to the gain of RMB15.38 million on the disposal of two apartment leasing projects (for long-term rental) in Shenzhen during the Reporting Period and losses on exchange of RMB4.59 million.

Impairment Losses on Receivables, Contract Assets and Financial Guarantee Issued

During the Reporting Period, impairment losses on receivables, contract assets and financial guarantee issued were RMB96.70 million (2022: RMB84.18 million), representing an increase of RMB12.52 million compared with last year, mainly due to (i) the Company's reconciliation of trade receivable on the books and other receivables have undergone strict impairment tests, and reasonable impairments have been made. The impairment loss of accounts receivable and other receivables increased by RMB35.15 million compared with the same period last year; (ii) during the Reporting Period, the Company accrued a credit impairment loss of RMB13.09 million for financial services; and (iii) during the Reporting Period, the Company accrued a credit impairment loss of RMB10.06 million for Beijing Global's financial guarantee issued.

Selling and Marketing Expenses

During the Reporting Period, the selling and marketing expenses amounted to RMB45.52 million (2022: RMB28.94 million), representing an increase of 57.3% from last year, which was mainly due to the increase in development staff costs for searching better business targets, as well as the increase in expenses for business development.

Management Discussion and Analysis

Administrative Expenses

During the Reporting Period, administrative expenses amounted to RMB232.70 million (2022: RMB174.14 million), representing an increase of 33.6% from last year, which was mainly due to the increase in the Group's staff costs during the Reporting Period as well as the impact of the Group's acquisition of the equity interest in Shanghai Yaozhan Enterprise Management Co., Ltd. ("**Yaozhan Management**").

Finance Costs

During the Reporting Period, finance costs amounted to RMB5.94 million (2022: RMB9.14 million), representing a decrease of 35.0% from last year, which was mainly due to the disposal of two apartment leasing projects (for long-term rental) during the Reporting Period, which resulted in a decrease in interests on lease liabilities as compared to the same period last year.

Share of Profits Less Losses of Joint Ventures

During the Reporting Period, the share of profits of joint ventures amounted to RMB2.40 million (2022: RMB0.82 million), representing an increase of 192.7% from last year.

Share of Profits Less Losses of Associates

During the Reporting Period, the share of profits of associates amounted to RMB8.08 million (2022: RMB1.52 million), representing an increase of 431.6% from last year.

Income Tax

During the Reporting Period, income tax was RMB119.46 million (2022: RMB173.57 million), representing a decrease of 31.2% from last year, mainly due to a decrease of profit before tax during the Reporting Period as a result of the aforementioned factors as compared with last year.

Profit for the Year

During the Reporting Period, the Group's net profit amounted to RMB323.35 million (2022: RMB426.46 million), representing a decrease of 24.2% from last year.

During the Reporting Period, the profit attributable to shareholders of the Company (the "**Shareholders**") amounted to RMB302.69 million (2022: RMB403.49 million), representing a decrease of 25.0% from last year.

During the Reporting Period, the net profit margin was 8.2% (2022: 12.1%).

Investment Properties

As of 31 December 2023, the Group had no investment property. During the Reporting Period, the Group's disposal included two apartment leasing projects (for long-term rental) in Shenzhen. As of 31 December 2022, the Group's net investment properties amounted to RMB101.50 million.

Management Discussion and Analysis

Property, Plant and Equipment

The property, plant and equipment of the Group mainly consisted of leasehold improvement, right-of-use assets, office equipment and furniture, machinery equipment and other fixed assets. As of 31 December 2023, the Group's net book value of property, plant and equipment amounted to RMB52.13 million, representing a decrease of RMB1.62 million from RMB53.75 million as of 31 December 2022, which was mainly due to the depreciation and amortisation during the Reporting Period.

Intangible Assets

The Group's intangible assets mainly consisted of customer relationships and uncompleted property management contracts arising from corporate mergers and acquisitions. The Group's intangible assets decreased by RMB32.55 million from RMB367.46 million as of 31 December 2022 to RMB334.91 million as of 31 December 2023, which was primarily due to the amortisation amount arising during the term of the property management contract recognised by the acquired companies.

Goodwill

The Group's goodwill increased by RMB18.23 million from RMB225.29 million as of 31 December 2022 to RMB243.52 million as of 31 December 2023, which was primarily due to the Group's completion of the acquisition project of Yaozhan Management during the Reporting Period.

The Group's goodwill was mainly related to the acquisitions of the equity interests in Wuhan Huanmao Property Management Co., Ltd., Henan Huangjin Property Management Co., Ltd. ("**Henan Huangjin**"), Beijing Global, Shenzhen Xingyi Investment Co., Ltd and Yaozhan Management. As of 31 December 2023, the management was not aware of any significant risk of impairment of goodwill.

Financial Asset Measured at Fair Value through Profit or Loss

During the Reporting Period, the Group's financial asset measured at fair value through profit or loss amounted to RMB121.70 million, mainly due to the Group's acquisition of 15% equity in an unlisted company that engaged in car parks sales business with a third party at a consideration of RMB120.00 million in 2022. The Group has neither significant influence nor control over investments and designates such investments as measured at fair value through profit or loss.

Interests in associates

During the Reporting Period, the Group acquired 32% equity interest in both Guizhou Zaixing Business Service Co., Ltd. (貴州在行商務服務有限公司, "**Guizhou Zaixing**") and Chongqing Frequent Surprise Business Information Consulting Co., Ltd. (重慶頻頻出奇商務資訊諮詢有限公司, "**Chongqing Frequent Surprise**") at total consideration of RMB66.21 million through capital injections. The Group determined that it has significant influence over Guizhou Zaixing and Chongqing Frequent Surprise and these two companies are treated as associates of the Group. In accordance with the acquisition agreements, the Group has the rights to sell the equity interests held by the Group to the vendors at fixed price ("**Put Options**") and entitled to minimum profits payments guaranteed by the acquired associates or compensated by the vendor in cash ("**Profit Guarantees**") in the three-year performance guarantee period. At the respective acquisition dates, the Group assessed the total fair value of Put Options and Profit Guarantees were not significant.

Management Discussion and Analysis

Loans Receivable

As at 31 December 2023, the Group had loans receivable of approximately RMB317.91 million, which is made up of a gross loans receivable amount of approximately RMB348.63 million and a loss allowance of approximately RMB30.72 million, representing approximately 6.1% of the Group's total assets as at 31 December 2023. All of the loans receivable were attributable to the Group's finance service business in its ordinary and usual course of business.

The Group's finance service business is managed through a wholly-owned subsidiary. The Group targets to provide both secured or unsecured loans to different customers which include individuals and corporations mainly in Chinese Mainland. The source of customers is mainly past customers which consists of entrepreneurs and sizable enterprises. The money lending business is funded by the internal resources of the Group.

As at 31 December 2023, the loans receivable related to loans to 18 independent third parties and the five largest loans receivable represent 43.0% of the total loans receivable. The interest rates of the loans receivable are 7.0% to 24.0% per annum mainly with repayment within six months to one year. As at 31 December 2023, loans receivable of RMB313,200,000 were aged within one year and loans receivable of RMB35,340,000 were aged over one year, based on date of entering into the transaction.

Trade and Other Receivables

Trade and other receivables mainly consisted of trade receivables and other receivables.

As of 31 December 2023, the Group's net trade and other receivables amounted to approximately RMB1,586.03 million, representing an increase of approximately RMB271.88 million from approximately RMB1,314.15 million as of 31 December 2022, mainly due to (i) the net trade receivables increased by approximately RMB275.72 million as compared with 31 December 2022, resulting from the growth in the scale of the Group's revenue; (ii) the decrease in the Group's net other receivables by approximately RMB79.54 million as compared with 31 December 2022.

Trade and Other Payables

As of 31 December 2023, the Group's trade and other payables amounted to RMB1,101.26 million, representing an increase of approximately RMB194.75 million from approximately RMB906.51 million as of 31 December 2022, mainly due to the increase in the Group's total procurement volume resulted in an increase of trade payables of approximately RMB133.32 million as compared with 31 December 2022.

Financial Guarantee Issued

Financial guarantee issued represents the expected payments to reimburse the loan holder for a credit loss that it incurs less any amount that the Group expects to receive from the realisation of pledged assets.

As of 31 December 2023, the financial guarantee issued by the Group was RMB72.43 million (as of 31 December 2022: RMB62.37 million), mainly due to the fact that Beijing Global, a non wholly-owned subsidiary of the Company, had provided a financial guarantee in respect of the seller's borrowings in the principal amount of RMB183.43 million. On 20 June 2023, Beijing Global received a statement of claim, the notice of response and other documents from Beijing Financial Court in relation to a dispute of the outstanding loan. The financial guarantee resulted in a further loss of RMB10.06 million for the year ended 31 December 2023.

Management Discussion and Analysis

Lease Liabilities

During the Reporting Period, lease liabilities were recognised according to new leasing standards. The lease liabilities payable within one year of RMB9.01 million were recognised in current liabilities, and the lease liabilities payable over one year of RMB9.67 million were recognised in long-term lease liabilities.

Contract Liabilities

Our contract liabilities mainly represented prepayments from customers of the Group's commercial operation services and residential property management services. As of 31 December 2023, the Group's contract liabilities amounted to approximately RMB175.24 million, representing an increase of approximately RMB11.42 million from RMB163.82 million as of 31 December 2022.

Borrowings

As of 31 December 2023, the Group's bank and other borrowings amounted to RMB22.00 million, all of which were bank borrowings of Yaozhan Management (31 December 2022: the Group had no bank and other borrowings).

Asset-liability Ratio

The asset-liability ratio was calculated as the total liabilities divided by total assets of the same date. As of 31 December 2023, the Group's asset-liability ratio was 29.7% (the asset-liability ratio as of 31 December 2022 was 28.4%).

Pledged Assets

As of 31 December 2023, RMB10.00 million of bank loans of subsidiaries of Yaozhan Management were secured by the operating income receivables generated by certain property management contracts with contractual amount of RMB39.04 million (31 December 2022: Nil).

Contingencies

On 9 November 2022, Shenzhen Excellence Property Management Co., Ltd. ("**Excellence Property Management**"), an indirect wholly-owned subsidiary of the Company, has been served with a notice of arbitration issued by the Shanghai Arbitration Commission and the other relevant documents in relation to a dispute in respect of acquisition of 40% equity interest in a project company (the "**Project Company**") which is currently 60% held by a disposed subsidiary of the Group (the "**Disposed Subsidiary**"), involving the Disposed Subsidiary and Excellence Property Management, as the respondents, and the beneficial owners of the 40% equity interest in the Project Company, as the applicants.

The applicants alleged that the Disposed Subsidiary, as an agent of Excellence Property Management, failed to acquire all the 40% equity interest in the Project Company owned by the applicants and claimed against the Disposed Subsidiary and Excellence Property Management to:

- (i) pay the applicants RMB20.8 million being damages for the breach of the agreement;
- (ii) acquire all the equity interest in the Project Company owned by the applicants at a cash consideration calculated based on 40% of the audited net profit of the Project Company for the year ended 31 December 2020, multiplied by 12; and
- (iii) other costs.

Management Discussion and Analysis

The Group has engaged legal advisors to advise on the arbitration. For further details, please refer to the announcement of the Company dated 7 December 2022. Up to the date of this report, no arbitral award was granted. Since the result of the arbitration cannot be estimated reliably as at the date of this report, no provision in respect of the arbitration was recognised.

As of 31 December 2023, there has been no new progress in the arbitration.

Liquidity, Reserves and Capital Structures

The Group maintained a good financial position during the Reporting Period. As of 31 December 2023, the Group's cash and equivalents amounted to RMB2,156.70 million, representing a decrease of 15.9% from RMB2,564.43 million as of 31 December 2022, mainly due to the fact that the loans issued externally by Shenzhen Zhuotou Micro-Lending Co., Ltd., a subsidiary of the Company, have not yet due for repayment.

As of 31 December 2023, the Group's total equity was RMB3,652.70 million, representing an increase of RMB63.4 million or 1.8% from RMB3,589.30 million as of 31 December 2022, which was mainly due to the profit realised during the Reporting Period.

Exchange Rate Risks

The main business of the Group is conducted in China, and our business is mainly denominated in Renminbi. As at 31 December 2023, non-RMB assets and liabilities were mainly cash and cash equivalents, which were denominated in Hong Kong dollars.

The management of the Group believes that the Group is not exposed to significant foreign exchange risks, and therefore no forward foreign exchange contracts have been entered into to hedge foreign exchange risks. The management will continue to monitor foreign exchange risks and adopt prudent measures to minimise foreign exchange risks.

OTHER INFORMATION

Use of Proceeds from the Listing

The Company issued 300,000,000 new shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 19 October 2020 (the "**Listing Date**"), and partially exercised the over-allotment options on 11 November 2020 and issued 22,490,000 new shares. After the partial exercise of the over-allotment options and deducting underwriting fees and related expenses, the total net proceeds raised from the listing (the "**Net Proceeds**") are approximately HK\$3,359.5 million. As of 31 December 2023, the Company had utilized approximately HK\$1,533.9 million of the Net Proceeds, representing approximately 45.7% of the Net Proceeds and the unutilised Net Proceeds amounted to approximately HK\$1,825.6 million.

The business objectives and planned use of Net Proceeds as stated in the prospectus of the Company dated 7 October 2020 (the "**Prospectus**") were based on the Group's best estimation of future market conditions at the time of preparing the Prospectus. The actual use of Net Proceeds was based on the actual market development. As disclosed in the Company's announcement dated 29 December 2022, the supplemental announcement dated 10 March 2023 and the clarification announcement dated 10 April 2023 (the "**Change in Use of Proceeds from the Global Offering Announcements**"), having carefully considered the latest business environment and development needs of the Group, the Board had resolved to change the proposed use of the unutilised Net Proceeds. Please refer to the Change in Use of Proceeds from the Global Offering Announcements for details of the change in use of the Net Proceeds and the reasons thereof.

Management Discussion and Analysis

As at 31 December 2023, the Group's planned use and actual use of the net proceeds were as follows:

Major Categories	Specific Plans	% of actual Net Proceeds before re-allocation	Planned	% of actual Net Proceeds after re-allocation	Planned	Actual	Actual	Actual
			use of actual Net Proceeds before re-allocation (HK\$ million)		use of actual Net Proceeds after re-allocation (HK\$ million)	amount of proceeds unutilized as at 31 December 2023 (HK\$ million)	amount of proceeds utilized during the year ended 31 December 2022 (HK\$ million)	amount of proceeds utilized during the year ended 31 December 2023 (HK\$ million)
Business expansion	Strategically acquire or invest in interests in companies with operational scale or profitability prospect	70.00%	2,351.7	55.00%	1,853.8	1,240.9	337.1	90.5
	Acquire or invest in interests in third party service providers to provide specialized value-added services or to expand the Group's scope of services when opportunities arise							
	Acquire or invest in quality assets with revenue prospects to enhance the Group's profitability when opportunities arise							
Development of information technology system	Develop and optimise smart management information platform and provide other related support for the development and optimisation of smart management information platform; provide technology-enabled services to enhance customer experience and management efficiency	4.00%	134.3	3.00%	91.2	73.2	5.2	6.2
	Develop and optimise "O+" platform and provide other related support for the development and optimisation of "O+" platform. Achieve basic property services (property charges, parking fees, service orders, notices) and value-added services (shopping malls, food delivery, etc.) online	4.00%	134.3					
	Upgrade or introduce new business management systems to enhance internal control and improve management efficiency (e.g., improve automation, reduce error rates and provide timely analysis of operations and effective operational management); provide resources to support IT system upgrades	2.00%	67.2					

Management Discussion and Analysis

Major Categories	Specific Plans	% of actual Net Proceeds before re-allocation	Planned	% of actual Net Proceeds after re-allocation	Planned	Actual amount of proceeds unutilized as at 31 December 2023	Actual	Actual
			use of actual Net Proceeds before re-allocation (HK\$ million)		use of actual Net Proceeds after re-allocation (HK\$ million)		amount of proceeds utilized during the year ended 31 December 2022	amount of proceeds utilized during the year ended 31 December 2023
Facility upgrades for the properties under our management	Upgrade the facilities in some old residential properties under the Group's management to develop intelligent communities	5.00%	168.0	4.00%	131.1	105.8	10.1	8.3
Attracting and nurturing talent	Recruit and nurture professional talents strategically to provide the Group's customers with quality services and fully satisfy their needs, thereby enhancing customer satisfaction. The Company will also: <ul style="list-style-type: none"> (i) provide professional trainings to our employees at key positions and identify and train up our future team leaders; (ii) recruit key personnel (supervisory level and above) strategically to support our business growth; (iii) recruit new employees to improve the strategic talent pool and provide professional functional trainings to the new employees; and (iv) other expenses for providing talent support for the Group. 	5.00%	168.0	18.00%	611.7	324.3	105.3	156.0
General corporate purposes	Working capital and general corporate purposes	10.00%	336.0	20.00%	671.7	81.4	66.7	187.6

Note: The estimated timeline for utilisation of the unutilised Net Proceeds after re-allocation is by the end of 31 December 2026.

Management Discussion and Analysis

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Save as disclosed in this report, the Group did not hold any significant investments and did not conduct any material acquisitions or disposals of subsidiaries, associates or joint ventures during the Reporting Period.

As disclosed in the announcement of the Company dated 6 April 2021, if the actual revenue generated from the property management projects managed by Beijing Global Wealth is less than the Guaranteed Revenue during the Relevant Periods (i.e., each of the five financial years ending 31 December 2025), Beijing Global Wealth will receive a compensation amount equivalent to the difference between the actual revenue and the Guaranteed Revenue for the particular Relevant Period from the Vendors, the Guarantor and the Remaining Shareholder.

The revenue generated from the property management projects managed by Beijing Global Wealth for the year ended 31 December 2023 was approximately RMB61.57 million, which is higher than the Guaranteed Revenue of RMB60.39 million for the year ended 31 December 2023. The Board is pleased to confirm that the Guaranteed Revenue for the year ended 31 December 2023 has been achieved.

Furthermore, as Beijing Global Wealth has not increased its fees for all property management services by 10% before 31 December 2021, the Guaranteed Revenue for each of the financial years ending 31 December 2025 remains valid.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had a total of 16,352 and 85 full-time employees (31 December 2022: 15,676 and 66) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

EVENTS AFTER THE REPORTING PERIOD

Subsequent to 31 December 2023 and up to the date of this report, the Company renewed the caps of continuing connected transactions with Mr. Li Wa for the period from 2024 to 2026, and some of these transactions are subject to approval by independent shareholders at an extraordinary general meeting to be convened by the Company on 29 April 2024. Details of the continuing connected transactions are as follow:

Management Discussion and Analysis

1. *2024 Master Parking Spaces' Use Right Purchase Agreement*

On 2 February 2024, our Company (for itself and on behalf of its other subsidiaries) entered into a master parking spaces' use right purchase agreement (the “**2024 Master Parking Spaces' Use Right Purchase Agreement**”) with Mr. Li, pursuant to which our Group agreed to, from time to time, enter into transactions to purchase the rights-of-use of the parking spaces from Mr. Li's Companies. The Master Parking Spaces' Use Right Purchase Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by our Group in relation to the Master Parking Spaces' Use Right Purchase Agreement for the three years ended 31 December 2026 will not exceed RMB108.00 million, RMB108.00 million and RMB119.00 million, respectively. For the year ended 31 December 2023, the Group's fees paid for the Master Parking Spaces' Use Right Purchase Agreement amounted to RMB25.07 million.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Parking Spaces' Use Right Purchase Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

2. *2024 Decoration and Maintenance Services Framework Agreement*

On 2 February 2024, our Company (for ourselves and on behalf of our other subsidiaries) entered into the decoration and maintenance services framework agreement (the “**2024 Decoration and Maintenance Services Framework Agreement**”) with Mr. Li, pursuant to which our Group agreed to supply the Decoration and Maintenance Services to the properties owned, used, developed or being developed by Mr. Li's Companies in the PRC (the “**Decoration and Maintenance Services**”). The Decoration and Maintenance Services Framework Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by Mr. Li's Companies in relation to the Decoration and Maintenance Services for the three years ended 31 December 2026 will not exceed RMB5.00 million, RMB16.00 million and RMB25.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Decoration and Maintenance Services amounted to RMB0.07 million.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Decoration and Maintenance Services Framework Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

3. *2024 Property Agency Services Framework Agreement*

On 2 February 2024, our Company (for itself and on behalf of its other subsidiaries) entered into a property agency services framework agreement (the “**2024 Property Agency Services Framework Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide property agency services in respect of (i) the sales of residential and commercial properties and parking spaces developed or being developed by Mr. Li’s Companies, (ii) the unleased units in the office buildings and unleased ancillary commercial units and unleased parking spaces in the residential communities owned by Mr. Li’s Companies and managed by us (the “**Property Agency Services**”). The Property Agency Services Framework Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Property Agency Services under the Property Agency Services Framework Agreement for the three years ended 31 December 2026 will not exceed RMB4.00 million, RMB3.00 million and RMB3.00 million, respectively. For the year ended 31 December 2023, the Group’s fees charged for the Property Agency Services Framework Agreement amounted to RMB0.44 million.

As Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Property Agency Services Framework Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

4. *2024 Master Property Management Services Agreement*

On 2 February 2024, our Company (for itself and on behalf of its other subsidiaries) entered into a master property management services agreement (the “**2024 Master Property Management Services Agreement**”) with Mr. Li, pursuant to which we agreed to provide Mr. Li’s Companies with property management services, including but not limited to (i) pre-delivery services including (a) the on-site security, cleaning, and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) the property management services for the unsold residential property units and commercial properties owned and used by Mr. Li’s Companies, for a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Property Management Services for the three years ended 31 December 2024 will not exceed RMB381.00 million, RMB354.00 million and RMB337.00 million, respectively. For the year ended 31 December 2022, the Group’s fees charged for the Property Management Services amounted to RMB355.12 million.

As at 31 December 2023, as Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

5. *2024 Master Supply & Installation Agreement*

On 2 February 2024, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master supply and installation agreement (the “**2024 Master Supply & Installation Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide assistance to (i) the supply of (a) ventilation and air conditioning system; (b) floor heating and water heating system; and (c) intelligent home system including but not limited to access control and surveillance system to Mr. Li’s Companies; and (ii) the related installation services (the “**System Supply & Installation Services**”). The Master Supply & Installation Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The total contract value with Mr. Li’s Companies in relation to the System Supply & Installation Services for the three years ended 31 December 2026 will not exceed RMB180.00 million, RMB193.00 million and RMB195.00 million, respectively. For the year ended 31 December 2023, the total contract value of the Group for the System Supply & Installation Services amounted to RMB198.15 million.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply & Installation Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

6. *2024 Commercial Properties Lease Agreement*

On 2 February 2024, our Company (for itself and on behalf of its other subsidiaries) entered into a master commercial properties lease agreement (the “**2024 Master Commercial Properties Lease Agreement**”) with Mr. Li Wa (“**Mr. Li**”), pursuant to which we will lease from associates of Mr. Li (“**Mr. Li’s Companies**”) (i) certain car parking lots situated in residential and commercial properties managed by us for sub-leasing to residents and tenants in those residential and commercial properties; and (ii) certain public areas in the commercial properties held by Mr. Li’s Companies and managed by us for commercial use, including but not limited to advertisement and provision of car wash services. The Master Commercial Properties Lease Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by us under the Master Commercial Properties Lease Agreement for the three years ended 31 December 2024 will not exceed RMB81.00 million, RMB81.00 million and RMB81.00 million, respectively. For the year ended 31 December 2022, the Group’s fees paid for the Master Commercial Properties Lease Agreement amounted to RMB65.73 million.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Commercial Properties Lease Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Management Discussion and Analysis

7. *2024 Master Construction Material Trading Agreement*

On 2 February 2024, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master construction material trading agreement (the “**2024 Master Construction Material Trading Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide assistance to the supply of construction materials (including but not limited to wires and cables, ceramic tiles and wooden flooring) (“**Construction Material Trading**”). The Master Construction Material Trading Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Construction Material Trading for the three years ended 31 December 2026 will not exceed RMB25.00 million, RMB27.00 million and RMB33.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Construction Material Trading amounted to RMB286.27 million⁽¹⁾.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Construction Material Trading Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

- (1) The fees charged for the Construction Material Trading in 2023 were accounted for using the full amount method, according to the net method, the net amount of the fee is RMB28.79 million. From 2024, the caps of continuing connected transactions in Construction Material Trading shall be applied on the basis of the relevant commissions received.

8. *2024 Master Intelligent Community Services Agreement*

On 2 February 2024, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master intelligent community services agreement (the “**2024 Master Intelligent Community Services Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide assistance to the supply of (a) intelligent community technical blueprints; (b) services of intelligent community software development and testing, production environment software and hardware debugging, property project on-site software and hardware debugging; and (c) services of on-site electronic equipment installation, joint testing and handover of property project management personnel for property projects (“**Intelligent Community Services**”). The Master Intelligent Community Services Agreement has a term commencing from 1 January 2024 until 31 December 2026.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Intelligent Community Services for the three years ended 31 December 2026 will not exceed RMB42.00 million, RMB53.00 million and RMB56.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Intelligent Community Services amounted to RMB9.38 million.

As at 31 December 2023, as Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Intelligent Community Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Save as disclosed in this report, no other material events were undertaken by the Group after 31 December 2023 and up to the date of this report.

Directors and Senior Management

DIRECTORS

Executive Directors

Mr. Li Xiaoping (李曉平), aged 66, was appointed as our executive Director and the chairman of our Board on 22 May 2020. He joined our Group in October 1999 as the chairman of the board of Shenzhen Excellence Property Management Co., Ltd. (深圳市卓越物業管理有限責任公司) (“**Excellence Property Management**”) and has since then been responsible for its overall strategic planning and major business decisions. Mr. Li has also been serving as a vice chairman of the board and the president of Excellence Real Estate Group Co., Ltd. (卓越置業集團有限公司) (“**Excellence Real Estate**”) since June 1996, where he has been primarily responsible for assisting the chairman with its overall strategic development and major business decisions.

Prior to joining our Group, from September 1993 to May 1996, Mr. Li served as the general manager of Shenzhen Yonggao Industrial Limited (深圳永高實業有限公司) (“**Shenzhen Yonggao**”), a company principally engaged in real estate investment, where he was primarily responsible for its overall management and operations.

Mr. Li was recognized as the “Social Contributor of the Year” (年度社會貢獻人物大獎) by the Organizing Committee of Boao 21st Century Real Estate Forum (博鰲21世紀房地產論壇組委會) in June 2009, the “Most Innovative Person in China’s Real Estate Industry” (中國最具創新力地產人物) by Boao Real Estate Forum (博鰲房地產論壇) in August 2015 and the “Top 30 CEO in China Real Estate Industry for the Year of 2018” (2018中國地產年度CEO 30強) at the 2018 China Real Estate New Era Grand Ceremony (2018年中國地產新時代盛典) in December 2018.

Mr. Li obtained his bachelor’s degree in applied mathematics from University of Electronic Science and Technology of China (中國電子科技大學) (formerly known as Chengdu Institute of Telecommunications Engineering (成都電信工程學院)) in the PRC in January 1982, and his master’s degree in applied mathematics from Xidian University (西安電子科技大學) (formerly known as Northwest Institute of Telecommunications Engineering (西北電訊工程學院)) in the PRC in January 1988.

Mr. Yang Zhidong (楊志東), aged 49, has been serving as a chief executive officer of the Group and executive Director since 15 August 2023, and is primarily responsible for the overall management of the Group. He has been serving as the Group’s chief operating officer since 1 September 2021, and has been primarily responsible for the operations of the Group.

Prior to joining our Group, From January 2010 to August 2021, Mr. Yang successively served as national operation director, segment director of strategic accounts and the head of global strategic account of Chinese multinational companies in Sodexo Group China, a company principally engaged in catering and facilities management services whose shares are listed on the Euronext Paris (stock code: SW), where he was primarily responsible for the business development, strategic planning and overall operation of strategic account of foreign enterprises and global strategic account of Chinese multinational companies. From August 2008 to December 2009, Mr. Yang served as Corporate Service Manager in Intel Corporation (China), a company principally engaged in semiconductor industry and computing innovation whose shares are listed on the NASDAQ (stock code: INTC), where he was primarily responsible for the integrated facilities management of Intel China R & D center. From August 2000 to April 2008, Mr. Yang served as IFM Regional Manager in Motorola Inc, a company principally engaged in chip manufacturing and electronic communication whose shares were previously listed on the NYSE (stock code: MOT) and delisted in January 2011, where he was primarily responsible for the integrated facilities management of Motorola in South China and the initialization of new projects in the Asia Pacific region. After graduation to July 2000, Mr. Yang served as a senior supply chain planner in Eastman Kodak (China) Company, a company principally engaged in imaging products and related services whose shares are listed on the NYSE (stock code: KODK), where he was primarily responsible for the company’s supply chain material management and the maintenance of master data in SAP system and he is one of the main principals of MRP II.

Mr. Yang obtained his bachelor’s degree in International Trade from Sun Yat-sen University (中山大學) in PRC in July 1997. Mr. Yang has more than 20 years’ experience in integrated facilities management for the world’s top 500 enterprises. He is professional in strategic planning, formulation and implementation, especially outstanding in MRPII, Change Management and Solution Planning of super large IFM projects. Apart from those, he also has rich practical experience in team management and serving client needs.

Directors and Senior Management

Non-executive Directors

Ms. Guo Ying (郭瑩), aged 56, was redesignated from executive Director to non-executive Director on 15 August 2023 and is primarily responsible for the management of the Group's investment management department. Ms. Guo was appointed as our executive Director on 22 May 2020 and is primarily responsible for implementing the strategies and daily operations of our Group. Ms. Guo joined our Group in October 2000 as a deputy project manager and successively served as the general manager of quality management department, assistant to deputy general manager and deputy general manager. She was promoted to the general manager of Excellence Property Management in August 2013 and has been responsible for project management and its daily operations since then. Ms. Guo currently holds directorships in our various subsidiaries.

Prior to joining our Group, from April 1998 to May 2000, Ms. Guo worked at Shenzhen Kangwei Home Kitchen Co., Ltd. (深圳市康威家庭廚櫃有限公司), a company principally engaged in the sales of construction materials and kitchenware. From October 1993 to December 1994, Ms. Guo worked at Shenzhen Yashi Clothing Co., Ltd. (深圳雅仕衣帽有限公司), a company principally engaged in the manufacturing and sales of clothes.

In January 2014, Ms. Guo was awarded as an "Outstanding General Manager for the Year of 2014" (2014年度聯盟卓越總經理) by Golden Key International Alliance (金鑰匙國際聯盟). Ms. Guo was admitted as a candidate for the "Top 10 CEOs in Property Industry for the Year of 2018" (2018年中國十大物業年度CEO) jointly organized by Leju Finance (樂居財經), Sina Finance (新浪財經), China Entrepreneur (中國企業家), Fangchan.com (中房網) and E-House Shihui (易居實惠) in November 2018, and was recognized as an "Outstanding Property Manager for the Year of 2019" (2019年度優秀物業經理人) by EH Consulting (億翰智庫) in December 2019.

Ms. Guo obtained her bachelor's degree in textile design from Xi'an Polytechnic University (西安工程大學) (formerly known as Northwestern Institute of Textile Technology (西北紡織工學院)) in the PRC in July 1990, and completed the advanced training courses in equipment management provided by the school of economy and management of Tongji University (同濟大學) in the PRC in August 2016.

Mr. Wang Yinhu (王銀虎), aged 47, was appointed as our non-executive Director on 22 May 2020 and is primarily responsible for providing guidance for the business development of our Group.

Mr. Wang joined Excellence Real Estate in May 2004 as a fund manager and was promoted to a deputy general manager of its financial and capital department in January 2011 and to the general manager of its financing department in January 2013, respectively, where he has been primarily responsible for its financing and capital management.

Mr. Wang obtained his bachelor's degree in accounting from Xi'an University of Science and Technology (西安科技大學) (formerly known as Xi'an College of Science and Technology (西安科技學院)) in the PRC in July 2001.

Directors and Senior Management

Independent Non-executive Directors

Professor Cui Haitao (崔海濤), aged 49, was appointed as our independent non-executive Director on 22 March 2024, and is primarily responsible for providing independent advice on the operations and management of our Group. He has started his teaching career in tertiary education as Lecturer of Marketing in 2005 at Carlson School of Management in University of Minnesota Twin Cities (“**UMN**”). He is currently a Deputy Associate Dean for Global DBA Program, Ecolab-Pierson M. Grieve Chair in International Marketing and Professor of Marketing of UMN. He is also an affiliated professor at the Department of Industrial & System Engineering, College of Science & Engineering at UMN.

Professor Cui is widely recognized for his contributions in areas of behavioral modeling in marketing, branding, competitive strategies, distribution channels, marketing-operations interfaces, and pricing. He serves as Departmental Editor at Production and Operations Management, Departmental Editor at Service Science, Guest Associate Editor at Management Science, and on the editorial boards of the academic journals such as Journal of Operations Management. He has also been the Vice President of the Behavioral Operations Management and Research Society at Operations Research Society of China since 2015. Professor Cui was also the Vice President of the Production and Operation Management Society College of Behavioral Operations from 2017 to 2019.

Professor Cui was selected as the one of the American Marketing Association-Sheth Doctoral Consortium Fellow in 2004, 2017 and 2020 respectively. He received the Meritorious Service Award from 2009 to 2019 by Management Science and Distinguished Service Award by Marketing Science and the 3M Non-Tenured Faculty Award from 2007 to 2010. He was nominated to be the MSI Young Scholars in 2011 and the Chang Jiang Scholars by Ministry of Education of China in 2016. Professor Cui was also honored with the Inaugural Marketing Science Institute (MSI) Scholars in 2018 for “top scholars helping to set the research agenda for the field”.

Professor Cui is an independent non-executive director of Viva Goods Company Limited (Stock Code: 933), a listed company on the Stock Exchange.

He obtained his Bachelor’s Degree in Industrial Engineering and Degree in Fluid Machinery and Fluid Engineering and International Master of Business Administration from Tsinghua University in 1998 and 2000. He received his master’s degree (IMBA) from the Tsinghua – MIT Global MBA Program, and his Master of Business Administration in Operations and Information Management and Doctor of Philosophy in Managerial Science & Applied Economics from Wharton School of University of Pennsylvania in 2002 and 2005 respectively.

Directors and Senior Management

Mr. Kam Chi Sing (甘志成), aged 53, was appointed as our independent non-executive Director on 28 September 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Mr. Kam has over 23 years of experience in management accounting, auditing and assurance, taxation, corporate services and cross border merger and acquisition consultation in Hong Kong and China. Mr. Kam established Roger Kam & Co., a certified public accounting firm in Hong Kong, in May 2000, and R&T Consulting Group Limited (“**R&T Consulting**”), a business consulting firm in Hong Kong, in July 2009. Mr. Kam is currently serving as the supervising partner at Roger Kam & Co, the managing director at R&T Consulting and the chief representative of the representative offices of Roger Kam & Co. in Shanghai, Guangzhou and Beijing. Mr. Kam was also appointed as an independent non-executive director of LX Technology Group Limited (凌雄科技集團有限公司) (stock code: 2436) and Maxnerva Technology Services Limited (雲智匯科技服務有限公司) (stock code: 1037) on 27 September 2022 and 28 September 2023, respectively, and the company secretary of Xinji Shaxi Group Co., Ltd (信基沙溪集團股份有限公司) (stock code: 3603) on 11 March 2019, three of which are listed on the Main Board of the Stock Exchange.

Mr. Kam is a founding member of the Alliance of Inter-Continental Accountants and was registered as a registered tax agent and a licensed tax agent by the Taxation Institute of Hong Kong for the year of 2011 and 2020, respectively. He was admitted as a fellow member of the Association of Chartered Certified Accountants in November 2003, a fellow member of the Hong Kong Institute of Certified Public Accountants in April 2006, a fellow member of the Institute of Financial Accountants in March 2011, a fellow member of the Taxation Institute of Hong Kong in January 2010, a member of the Society of Trust and Estate Practitioners in April 2012 and a member of the Hong Kong Securities and Investment Institute in June 2013, respectively. He is a committee member of the taxation committee, a committee member of the financial and treasury services committee and a committee member of the China committee of Hong Kong General Chamber of Commerce. He has also been serving as a committee member of the Chinese General Chamber of Commerce, Hong Kong since November 2016. Mr. Kam was appointed as a member and honorary treasurer of Hong Kong Red Cross Special Education & Rehabilitation Service Governing Committee in November 2013 and school sponsoring body appointed school manager and treasurer of the Incorporated Management Committee of Hong Kong Red Cross Princess Alexandra School in July 2020. Mr. Kam was also appointed as a member of Shanghai Pudong New Area Committee of CPPCC in December 2023.

Mr. Kam obtained his bachelor’s degree of science from the University of Hong Kong in November 1993.

Directors and Senior Management

Ms. Liu Xiaolan (劉曉蘭), aged 58, was appointed as our independent non-executive Director on 28 September 2020 and is primarily responsible for providing independent advice on the operations and management of our Group.

Ms. Liu is the founder of Lanyu (Shanghai) Business Consulting Center (蘭毓(上海)商務諮詢中心), a company principally engaged in providing strategic and business consulting services. From October 2020 to present, Ms. Liu serves as the independent non-executive director of KWG Living Group Holdings Limited, a company whose shares are listed on the Main Board of the Stock Exchange (stock code: 3913). From September 2013 to April 2020, Ms. Liu served as the chairman of the board of Shanghai Yizhen Investment Management Co., Ltd. (上海溢臻投資管理有限公司), a company principally engaged in real estate consulting services and investment management, where she was primarily responsible for its investment decisions and strategy formulation. From March 2012 to November 2012, Ms. Liu served as the general manager at Kunshan Stereo City Investment Management Co., Ltd. (昆山立體之城投資管理有限公司), a company principally engaged in investment management and consulting services, where she was primarily responsible for project investment management. From May 2005 to February 2012, Ms. Liu successively served as an assistant to the president, deputy general manager of the real estate management center, vice president, executive director and general manager at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer whose shares are listed on the Main Board of the Stock Exchange (stock code: 1238), where she was primarily responsible for assisting the president with its daily operations, establishment of management system of the project companies and the management of commercial property management business. From May 2002 to May 2005, she served as an assistant to the general manager and the head of the branch management center at Xiamen Powerlong Information Industry Development Co., Ltd. (廈門寶龍信息產業發展有限公司), where she was primarily responsible for assisting the general manager in the daily matters of the company and its branches across China.

Ms. Liu has been serving as a deputy director of academic committee of the APCREA (Asia Pacific Commercial Real Estate Academy) (亞太商業不動產學院) since September 2009, a mentor of Boya Zhixue (Beijing) Investment Consulting Co., Ltd. (博雅知學(北京)投資顧問有限公司) since May 2014, a mentor of China's Real Estate Executive Program (中國房地產實戰研修項目) of E-house & Wharton Case Study and Teaching Facility (易居沃頓案例研究與教育基地) since June 2015, an economic counselor of Chengdu Skyscraper Economics Promotion Association (成都市樓宇經濟促進會) since September 2019 and a special consultant of Tianfu Institute of Building Economy (樓宇經濟天府學院) since June 2019.

Ms. Liu obtained her bachelor's degree in clinical medicine from Fujian University of Traditional Chinese Medicine (福建中醫藥大學) (formerly known as Fujian Chinese Traditional Medical College (福建中醫學院)) in the PRC in July 1988. She completed the Executive Development Program (高級管理培訓) offered by Xiamen University (廈門大學) in the PRC in September 2009 and the China Advanced Management Program offered by Wharton School of University of Pennsylvania in the United States in October 2019.

According to the Board meeting and the Remuneration Committee meeting held on 27 March 2024, the Company has paid the salary of Ms. Guo Ying, a non-executive Director, during her term of office and therefore no additional Directors' remuneration will be paid from April 2024. Save as disclosed in this annual report, there are no other changes to the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Rules (the "Listing Rules") Governing the Listing of Securities on the Stock Exchange.

Directors and Senior Management

SENIOR MANAGEMENT

Mr. Jia Jie (賈傑), aged 40, was appointed as the Group's chief financial officer on 30 December 2022, and has been primarily responsible for the financial management of the Group. For details, please refer to the Company's announcement dated 30 December 2022. Mr. Jia Jie was appointed as the Joint Company Secretary of the Company on 6 January 2023, and has been primarily responsible for the investor relations and securities affairs management of the Group. For details, please refer to the Company's announcement dated 6 January 2023.

Prior to joining the Group, Mr. Jia served as the chief financial officer of Redsun Services Group Limited (弘陽服務集團有限公司) (a company listed on The Stock Exchange of Hong Kong Limited (stock code: 1971)) from December 2019 to August 2022 and was primarily responsible for the finance function of the group. From November 2018 to December 2019, he served as the vice general manager of the finance management department of Hong Yang Group Company. From March 2018 to November 2018, Mr. Jia served as the financial controller of Redsun Properties Group Limited (弘陽地產集團有限公司) (a company listed on the Stock Exchange (stock code: 1996)). From July 2017 to March 2018, Mr. Jia served as the vice general manager of Hong Yang Group Company's finance management department of its property development division. Prior to joining Redsun Properties, from March 2014 to June 2017, Mr. Jia was the budget analysis officer of Xinyuan (China) Real Estate Co., Ltd. (鑫苑(中國)置業有限公司), and from September 2012 to February 2014, he served as the finance manager of Ningbo Longfor Real Estate Development Co., Ltd. (寧波龍湖置業有限公司). Mr. Jia was the vice finance manager from March 2010 to March 2012, and the finance manager from April 2012 to September 2012, of Taiyuan Wan Da Plaza Co., Ltd. (太原萬達廣場有限公司), a commercial property investment company. From September 2008 to March 2010, Mr. Jia worked as the consultant of KPMG China. He has over ten years of experience in the real estate and property investment industry.

Mr. Jia obtained a bachelor degree in finance from Dongbei University of Finance and Economics (東北財經大學) in the PRC in June 2005. He acquired a master degree in finance from the same university in December 2007. In July 2020, Mr. Jia acquired a master of business administration degree from Guanghua School of Management, Peking University (北京大學光華管理學院) in the PRC. Mr. Jia acquired an intermediate accountant license from Dalian Human Resources and Social Security Bureau in May 2008, and has been a registered member of The Chinese Institute of Certified Public Accountants since December 2009.

Ms. Yao Xiaobo (姚曉波), aged 39, has been serving as the person in charge of the human capital centre of Excellence CM Group (senior director of the centre) since 1 September 2023 and has been fully responsible for the overall management of the human capital centre of the Group.

Ms. Yao has nearly 13 years of experience in human resources in property management and development, commercial operation, financial investment and other industries. Ms. Yao has a background of working in headquarters platforms and leading companies, and is familiar with headquarters platforms and frontline operation management, human resources, and administrative management models. She has rich management and practical experience in organisational management, organisational reform, cadre management, performance and incentives, and talent learning and development.

Ms. Yao obtained her bachelor's degree in human resources management from Anhui University of Finance & Economics in 2008 and a master's degree in business administration from Southeast University in 2011. She joined Excellence Real Estate in June of the same year, and has served as the person in charge of human resources for Shenzhen Real Estate Company (深圳地產公司), Excellence Investments Holdings (卓越投控) and Excellence's own segments.

Report of the Directors

The board (the “**Board**”) of directors (the “**Directors**”) of the Company is pleased to submit their report together with the audited consolidated financial statements of the Company and its subsidiaries (the “**Group**”) during the Reporting Period.

GLOBAL OFFERING

The Company is an exempted company with limited liability incorporated in the Cayman Islands on 13 January 2020. The Company’s shares (the “**Shares**”) were listed on the Main Board of the Stock Exchange on 19 October 2020 (the “**Listing Date**”).

PRINCIPAL ACTIVITIES

The Group is a leading commercial real estate service operator in China, which is dedicated to the provision of customized one-stop comprehensive operation and management services for customers and offers full-life cycle asset maintenance and full-chain overall service solutions. The Group focuses on commercial properties as its primary development path to achieve a diversified combination of full range of businesses covering high-end commercial office buildings, commercial complexes, high-tech industrial parks, government buildings and residential apartments. The service types of the group include real estate consulting, asset operation and management, equipment and facilities management, construction and mechanical and electrical services, business environment services, comprehensive administrative logistics and other services. At the same time, the group also provides apartment rental services and micro-lending to small and medium enterprises, individual business proprietors and individuals. The Company is mainly engaged in operating its business in China. The analysis of principal activities of the Group for the year ended 31 December 2023 is set out in note 4 to the consolidated financial statements.

FINANCIAL RESULTS

The financial results of the Group for the year ended 31 December 2023 are set out in the consolidated statements of profit or loss and other comprehensive income on pages 87 to 88 of the annual report.

FINAL DIVIDEND

The Board recommend the payment of a final dividend of HK6.82 cents per share for the year ended 31 December 2023 (the “**Final Dividend**”) which is subject to approval by the Company’s shareholders (the “**Shareholders**”) at the forthcoming annual general meeting (the “**AGM**”) to be held at 10:00 a.m. on 12 June 2024 (Wednesday), and is expected to be paid on or around 11 July 2024 (Thursday) to the Shareholders whose names appear on the register of members of the Company on 21 June 2024 (Friday).

For the purpose of determining the identity of the Shareholders entitled to attend and vote at the AGM, the register of members of the Company will be closed from 6 June 2024 (Thursday) to 12 June 2024 (Wednesday) (both days inclusive). In order to be eligible for attending and voting the AGM, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 5 June 2024 (Wednesday).

For the purpose of determining the identity of the Shareholders entitled to receive the Final Dividend, the register of members of the Company will be closed from 18 June 2024 (Tuesday) to 21 June 2024 (Friday) (both days inclusive). In order to be eligible for receiving the Final Dividend, all completed share transfer documents accompanied by the relevant share certificates must be lodged with the Company's branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queens Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 June 2024 (Monday).

DIVIDEND POLICY

Subject to the Companies Law of the Cayman Islands, through a general meeting we may declare dividends in any currency but no dividend shall be declared in excess of the amount recommended by the Board. The articles of association of the Company (the "**Articles of Association**") provide that dividends may be declared and paid out of our profit, realised or unrealised, or from any reserve of the Company lawfully available for distribution including share premium.

The declaration of dividends is subject to the discretion of the Directors, and the amounts of dividends actually declared and paid will also depend upon the following factors:

- our general business conditions;
- our financial results;
- our capital requirements;
- interests of our Shareholders; and
- any other factors which the Board may deem relevant.

The Board adopted a dividend policy that aims to allow the Shareholders to participate in the Company's profits by provision of dividends whilst preserving the Company's liquidity to capture future growth opportunities. Our future dividend payments to our Shareholders will also depend upon the availability of dividends received from our subsidiaries in the PRC. PRC laws require that dividends be paid out of the net profit calculated according to PRC accounting principles, which differ in certain aspects from HKFRSs. PRC laws also require enterprises located in the PRC to set aside part of their net profit as statutory reserves before they distribute the net proceeds. These statutory reserves are not available for distribution as cash dividends. Furthermore, distributions from our subsidiaries may be restricted if they incur debts or losses or as a result of any restrictive covenants in bank credit facilities or other agreements that we or our subsidiaries may enter into in the future.

Any final dividend for a fiscal year shall be subject to our Shareholders' approval. The Group has not been aware of any arrangement under which a Shareholder has waived or agreed to waive any dividends.

Report of the Directors

BUSINESS REVIEW

Business review in 2023 and discussion about future business development of the Group, the main risks and uncertain factors to be faced by the Group, as well as compliance with relevant laws and regulations material to the Group are set forth in the section headed “Chairman’s Statement” from page 4 to page 5 of the annual report, respectively. The performance analysis of the Group in 2023 based on key financial indicators is set forth in the Management Discussion and Analysis from page 6 to page 33 of the annual report.

The Group believes sustainable development is an important part in our development, and applies this concept to every aspect of our business operation and strives to create a better future for the Company and the society. The Group will publish an independent Environmental, Social and Governance Report prepared in accordance with Appendix C2 Environmental, Social and Governance Reporting Guide to the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”).

FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on pages 171 to 172 of this annual report. The summary does not form part of the audited consolidated financial statements.

USE OF PROCEEDS FROM THE LISTING

Details of the use of proceeds from the listing is set forth in the section headed “Management Discussion and Analysis” from page 26 to page 28 of the annual report.

MAJOR CUSTOMERS AND SUPPLIERS

Major Customers

For the year ended 31 December 2023, the transaction amounts of the Group’s top five customers accounted for 31.5% of the total income (2022: 32.7%), and the transaction amounts of the Group’s single largest customer accounted for 15.0% of the total income (2022: 18.1%).

Major Suppliers

For the year ended 31 December 2023, the transaction amounts of the Group’s top five suppliers accounted for 21.5% of the total purchases of the Group for the year ended 31 December 2023 (2022: 27.4%), and the transaction amounts of the Group’s single largest supplier accounted for 7.6% of the total purchases (2022: 7.3%).

During the Reporting Period, none of the Directors, any of their respective close associates or any Shareholders (which to the knowledge of the Directors owns more than 5% of the Company’s shares in issue) are interested in the top five customers or suppliers of the Group.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Company and the Group during the year ended 31 December 2023 are set out in note 13 to the consolidated financial statements.

SHARE CAPITAL

Details of movements in the Company's share capital during the Reporting Period are set out in note 33 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the year ended 31 December 2023 are set out in the consolidated statements of changes in equity on pages 91 to 92 of the annual report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2023, the Company's reserves available for distribution amounted to approximately RMB3,110,238,000 (2022: approximately RMB3,086,262,000).

BANK AND OTHER BORROWINGS

Details of bank borrowings and other borrowings of the Company and the Group during the year ended 31 December 2023 are set out in note 26 to the consolidated financial statements.

DIRECTORS

The Directors during the Reporting Period and up to the date of this annual report are as follows:

Executive Directors:

Mr. Li Xiaoping (*Chairman*)

Mr. Yang Zhidong (*appointed with effect from 15 August 2023*)

Non-executive Directors:

Ms. Guo Ying (*redesignated from executive Director to non-executive Director with effect from 15 August 2023*)

Mr. Wang Yinhu

Mr. Wang Dou (*resigned with effect from 15 August 2023*)

Independent non-executive Directors:

Professor Cui Haitao (*appointed with effect from 22 March 2024*)

Mr. Kam Chi Sing

Ms. Liu Xiaolan

Mr. Huang Mingxiang (*resigned with effect from 22 March 2024*)

Report of the Directors

In accordance with article 83(3) of the Company's articles of association (the "**Articles of Association**"), the Directors shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy on the Board or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office only until the first annual general meeting after his appointment and be subject to reelection at such meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

In addition, in accordance with article 84(1) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being (or, if the number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. In accordance with article 84(2) of the Articles of Association, any further Directors so to retire shall be those of the other Directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any Director appointed by the Board pursuant to Article 83(3) shall not be taken into account in determining which particular Directors or the number of Directors who are to retire by rotation.

Accordingly, Professor Cui Haitao, Ms. Guo Ying, Mr. Yang Zhidong, Mr. Wang Yinhu and Mr. Kam Chi Sing shall retire from office and, being eligible, will offer themselves for re-election at the AGM.

The particulars of Directors who are subject to re-election at the AGM are set out in the circular to be despatched to the Shareholders.

DIRECTORS AND SENIOR MANAGEMENT

Biographical details of the Directors and senior management of the Company are set out on pages 34 to 39 of this annual report.

CONFIRMATION OF THE INDEPENDENCE OF THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors, namely Professor Cui Haitao, Mr. Kam Chi Sing, and Ms. Liu Xiaolan, a confirmation of his/her independence. The independent non-executive Directors do not and will not be involved in the daily operation of the Group and will abstain from voting in respect of any resolution. Therefore, the Company confirms that it considers all of the independent non-executive Directors are independent persons since the Listing Date and up to the date of this annual report.

SERVICE CONTRACT AND LETTER OF APPOINTMENT OF THE DIRECTORS

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from 2024 to 2026, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from 2024 to 2026, which may be terminated by not less than three months' notice in writing served by either party on the other.

Save as disclosed above, during the Reporting Period and up to the date of this annual report, none of our Directors has any existing or proposed service contracts with any member of our Group (excluding contracts expiring or determinable by the employer within one year without payment of compensation (other than statutory compensation)).

INTEREST OF DIRECTORS IN SIGNIFICANT TRANSACTIONS, ARRANGEMENT OR CONTRACTS

During the Reporting Period and up to the date of this annual report, none of the Directors has a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company, any of its subsidiaries or fellow subsidiaries was a party.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the Company were entered into or existed during the Reporting Period and up to the date of this annual report.

EMPLOYEES AND REMUNERATION POLICY

The remuneration committee of the Company (the “**Remuneration Committee**”) was set up for reviewing the Group’s remuneration policy and structure of the Directors and senior management of the Group, having regard to the Group’s operating results, individual performance of the Directors and senior management and comparable market practices.

As at 31 December 2023, the Group had a total of 16,352 and 85 full-time employees (31 December 2022: 15,676 and 66) in the PRC and India, respectively. The Group provides its employees with competitive remuneration packages such as fees, salaries, allowances and benefits in kind, bonuses and contributions to pension schemes and social benefits. The Group contributes to social insurance such as medical insurance, work-related injury insurance, pension insurance, maternity insurance, unemployment insurance and housing provident fund for its employees.

The Group’s companies incorporated in the PRC contribute based on certain percentage of the salaries of the employees to a defined contribution retirement benefit plan and other defined contribution social security plans organised by relevant government authorities in the PRC on a monthly basis. The government authorities undertake to assume the retirement benefit obligations payable and other social security payables to all existing and future retired employees under these plans and the Group has no further obligation beyond the contributions made. Contributions to these plans are expensed as incurred. Assets of the plans are held and managed by government authorities and are separate from those of the Group. No forfeited contribution under these plans is available to reduce the contribution payable in future years.

The Group also participates in a employees’ provident fund for all employees in India, which is a defined contribution retirement scheme, the contributions to the employees’ provident fund are based on statutory contribution requirement of eligible employees’ relevant aggregate income. No forfeited contribution under the employees’ provident fund is available to reduce the contribution payable in future years. The assets of this pension scheme are held separately from those of the Group in independently administered funds.

Details of the remuneration of the Directors, and the five highest paid individuals during the Reporting Period are set out in note 9 and note 10 to the consolidated financial statements respectively.

Report of the Directors

RETIREMENT AND EMPLOYEE BENEFITS SCHEME

Details of the retirement and employee benefits scheme of the Company are set out in note 46 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, the interests and short positions of the Directors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or which were recorded in the register required to be kept by the Company pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 to the Listing Rules were as follows:

Interests in the Shares of the Company

Name of Director	Capacity/ Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Xiaoping	Interest of spouse	118,120,000 ⁽¹⁾	9.68%	Long position
	Beneficial owner	5,672,000 ⁽²⁾	0.46%	Long position
Ms. Guo Ying	Beneficial owner	475,000 ⁽³⁾	0.04%	Long position

Notes:

- (1) Mr. Li Xiaoping is the spouse of Ms. Xiao Xingping ("Ms. Xiao"). By virtue of the SFO, Mr. Li is deemed to be interested in the same number of Shares in which Ms. Xiao is interested.
- (2) Including in the form of 5,400,000 share options of our Company which have been granted but have not yet been exercised as at the date of this annual report.
- (3) Including in the form of 400,000 share options of our Company which have been granted but have not yet been exercised as at the date of this annual report.

Save as disclosed above, as at 31 December 2023, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO), or required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Directors or their respective spouse or children under the age of 18, or were there any such rights exercised by the Directors; or was the Company, or any of its holding companies, fellow subsidiaries and subsidiaries a party to any arrangement to enable the Directors to acquire such rights in any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITION IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 31 December 2023, as far as the Directors are aware, the following persons (other than the Directors and chief executives of the Company) had interests or short positions in the shares or underlying shares of the Company which were required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and which were required to be entered in the register maintained by the Company pursuant to Section 336 of the SFO:

Interests in the Shares

Name of Shareholder	Capacity/Nature of Interest	Number of Shares Held	Approximate Percentage of Interests in the Company	Long/Short Position
Mr. Li Wa ⁽¹⁾	Interest in a controlled corporation	722,440,000	59.20%	Long position
Oriental Rich Holdings Group Limited (" Oriental Rich ") ⁽¹⁾	Interest in a controlled corporation	722,440,000	59.20%	Long position
Urban Hero Investments Limited (" Urban Hero ") ⁽¹⁾	Beneficial owner	722,440,000	59.20%	Long position
Ms. Xiao Xingping	Interest in a controlled corporation	117,900,000 ⁽²⁾	9.66%	Long position
	Beneficial owner	220,000	0.02%	Long position
	Interest of spouse	5,672,000 ⁽³⁾	0.46%	
Ever Rainbow Holdings Limited (" Ever Rainbow ") ⁽²⁾	Beneficial owner	117,900,000	9.66%	Long position
Mr. Li Yuan ⁽⁴⁾	Interest in a controlled corporation	63,000,000	5.16%	Long position
Autumn Riches Limited (" Autumn Riches ") ⁽⁴⁾	Beneficial owner	63,000,000	5.16%	Long position

Notes:

- (1) Urban Hero is wholly owned by Oriental Rich, which is in turn wholly owned by Mr. Li Wa. By virtue of the SFO, each of Oriental Rich and Mr. Li Wa is deemed to be interested in the same number of Shares in which Urban Hero is interested.

Report of the Directors

- (2) Ever Rainbow is wholly owned by Ms. Xiao. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Ever Rainbow is interested.
- (3) Ms. Xiao is the spouse of Mr. Li Xiaoping. By virtue of the SFO, Ms. Xiao is deemed to be interested in the same number of Shares in which Mr. Li Xiaoping is interested. The interests owned by Mr. Li Xiaoping include the form of 5,400,000 share options of our Company which have been granted but have not yet been exercised as at the date of this annual report.
- (4) Autumn Riches is wholly owned by Mr. Li Yuan. By virtue of the SFO, Mr. Li Yuan is deemed to be interested in the same number of Shares in which Autumn Riches is interested.

Save as disclosed above, as at 31 December 2023, the Directors were not aware of any persons (who were not Directors or chief executives of the Company) who had an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed under Divisions 2 and 3 of Part XV of the SFO, or which would be required, pursuant to Section 336 of the SFO, to be entered in the register referred to therein.

SHARE OPTION SCHEME

1. Share Option Scheme

The share option scheme of the Company (the “**Share Option Scheme**”) was approved and adopted by the written resolutions of our Shareholders on 28 September 2020. The Share Option Scheme is subject to the requirements under Chapter 17 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on the Stock Exchange. No options have been granted under the Share Option Scheme from the date of its adoption up to the date of this report. For further details on the Share Option Scheme, please refer to “Appendix IV – Statutory and General Information – D. Other Information – 1. Share Option Scheme” in the prospectus of the Company (the “**Prospectus**”).

The remaining life of the Share Option Scheme is around 6 years.

2. Pre-IPO Share Option Scheme

The pre-IPO share option scheme of the Company (the “**Pre-IPO Share Option Scheme**”) was approved and adopted by the written resolution of our Shareholders on 9 September 2020. For further details on the Pre-IPO Share Option Scheme, please refer to “Appendix IV – Statutory and General Information – D. Other Information – 2. Pre-IPO Share Option Scheme” in the Prospectus.

On 9 September 2020, the Company granted the options in relation to a total of 28,200,000 shares to the eligible persons in accordance with the terms of the Pre-IPO Share Option Scheme.

Report of the Directors

For the Reporting Period, details of the movements on the share option under the Pre-IPO Share Option Scheme are set out as follows:

Category and name of the grantee	Date of grant	Vesting period	Exercise period	Outstanding as at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2023	Exercise price per share (HK\$)
Directors										
Mr. Li Xiaoping	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021;	Within 5 years after the vesting date	10,800,000	-	-	5,400,000	-	5,400,000	5.36
		(ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2022; and								
		(iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2023.								
Ms. Guo Ying	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021;	Within 5 years after the vesting date	800,000	-	-	400,000	-	400,000	5.36
		(ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2022; and								
		(iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2023.								
Subtotal				11,600,000	-	-	5,800,000	-	5,800,000	

Report of the Directors

Category and name of the grantee	Date of grant	Vesting period	Exercise period	Outstanding as at 1 January 2023	Granted during the Reporting Period	Exercised during the Reporting Period	Lapsed during the Reporting Period	Cancelled during the Reporting Period	Outstanding as at 31 December 2023	Exercise price per share (HK\$)
Other participants	9 September 2020	(i) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group for the year ending 31 December 2021;	Within 5 years after the vesting date	4,016,000	-	-	2,512,000	-	1,504,000	5.36
		(ii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2022; and								
		(iii) one third of the total number of the share options will be vested after the date of the publication of the annual report of the Group the year ending 31 December 2023.								
Total				<u>15,616,000</u>	<u>-</u>	<u>-</u>	<u>8,312,000</u>	<u>-</u>	<u>7,304,000</u>	

3. Summary of the Share Option Schemes and Pre-IPO Share Option Scheme

	Pre-IPO Share Option Scheme	Share Option Scheme
Purpose	To enable the Company to grant options to Pre-IPO Eligible Participants (as defined below) as incentives or rewards for their contribution or potential contribution to any member of our Group.	To recognize and acknowledge the contributions that the Eligible Participants (as defined below) had or may have made to our Group. The Share Option Scheme will provide the Eligible Participants an opportunity to have a personal stake in our Company with the view to achieving the following objectives: <ul style="list-style-type: none"> (i) motivate the Eligible Participants to optimize their performance efficiency for the benefit of our Group; and (ii) attract and retain or otherwise maintain an on-going business relationship with the Eligible Participants whose contributions are or will be beneficial to the long-term growth of our Group.
Who may join	The Board may at its discretion grant options to persons who satisfy the following eligibility criteria (" Pre-IPO Eligible Participant(s) ") ⁽¹⁾ : <ul style="list-style-type: none"> (i) any full-time employee, administrative personnel, and senior staff of an member of our Group; (ii) any director (including non – executive director and independent non-executive director) of any member of our Group; (iii) any other eligible person who, in the discretion of our Board and its authorized person, has made contributions or will make contributions to our Group. 	The Board may, at its discretion, offer to grant an option to the following persons (collectively the " Eligible Participants ") ⁽¹⁾ : <ul style="list-style-type: none"> (i) any full-time or part-time employees, executives or officers of our Company or any of our subsidiaries; (ii) any directors (including non – executive directors and independent non-executive directors) of our Company or any of our subsidiaries; and (iii) any advisors, consultants, suppliers, customers, distributors and such other persons who, in the sole opinion of the Board, will contribute or have contributed to our Company and/or any of our subsidiaries.

Note 1: In case of any conflicts with the definition of eligible participants under current Rule 17.03A of the Listing Rules, the definition under the Listing Rules shall prevail.

Report of the Directors

	Pre-IPO Share Option Scheme	Share Option Scheme
Maximum number of Shares available for issue	<p>The maximum number of Shares in respect of which options may be granted under the Pre-IPO Share Option Scheme is 25,705,159 Shares, representing 2.14% and 2.11% of the issued share capital of our Company as at the Listing Date and the date of this report, respectively.</p> <p>No further option could be granted under the Pre-IPO Share Option Scheme.</p> <p>During the Reporting Period, 8,312,000 share options were lapsed. As at the date of this report, the number of Shares available for issue under the Pre-IPO Share Option Scheme was 7,304,000 Shares, representing approximately 0.60% of the total number of issued Shares as at the date of this report.</p>	<p>The maximum number of Shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme of the Company is 120,000,000 Shares, representing 10% and 9.83% of the issued share capital of our Company as at the Listing Date and the date of this report respectively.</p> <p>The maximum number of Shares that may be issued upon exercise of all outstanding options granted and yet to be granted under the Share Option Scheme and any other schemes must not in aggregate exceed 30% of the total number of Shares in issue from time to time.</p> <p>As at the date of this report, the total number of Shares available for issue under the Share Option Scheme was 120,000,000 Shares, representing approximately 9.83% of the total number of issued Shares as at the date of this report.</p>
Maximum entitlement of each participant	<p>The respective entitlement of each participant as granted on 9 September 2020.</p>	<p>1% of the issued share capital of the Company from time to time within any 12-month period up to the date of offer.</p>
Acceptance of an offer of options	<p>An offer shall be deemed to have been accepted when the duplicate letter comprising acceptance of the offer is duly signed by the grantee, together with a payment of HK\$1.00 by way of consideration for the grant thereof, is received by our Company.</p> <p>To the extent that the offer is not accepted within 30 days from the offer date, it will be deemed to have been irrevocably declined.</p>	<p>An option shall be deemed to have been granted and accepted by the grantee and to have taken effect when the duplicate offer document constituting acceptances of the options duly signed by the grantee, together with a remittance or payment in favor of our Company of HK\$1.00 by way of consideration for the grant thereof, is received by our Company on or before the relevant acceptance date.</p>

	Pre-IPO Share Option Scheme	Share Option Scheme
Option period	An option may be exercised according to the terms of the Pre-IPO Share Option Scheme in whole or in part by the grantee subject to fulfillment the vesting conditions determined by the Board but before the expiry of five years after the grant date.	The Board may in its absolute discretion determine the period during which an option may be exercised or specify any performance targets at the time of grant of options which shall be satisfied by the grantee before his options may be exercised.
Exercise Price	The exercise price per Share in respect of any particular option granted under the Pre-IPO Share Option Scheme is HK\$5.36, which was determined with reference to the fair value of the Shares as at 3 August 2020, based on a valuation report prepared by an independent valuer appointed by our Company.	Exercise price shall be at least the higher of: (i) the official closing price of our Shares as stated in the Stock Exchange's daily quotation sheets on the date of grant, which must be a day on which the Stock Exchange is open for the business of dealing in securities; (ii) the average of the official closing prices of our Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of a Share.
Other condition	Within one year after the date of exercise of the option, a grantee shall not sell, offer to sell, contract or agree to sell, transfer, mortgage, charge, pledge or otherwise dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, any Shares which have been issued to him/her pursuant to his/her exercise of any option granted to and vested on him/her under the Pre-IPO Share Option Scheme.	–

The Pre-IPO Share Option Scheme is not subject to the provision of Chapter 17 of the Listing Rules. No further options will be granted under the Pre-IPO Share Option Scheme.

The Share Option Scheme shall be valid and effective for a period of 10 years from the Listing Date, i.e. until 18 October 2030.

Save as disclosed above, the Company has not adopted any other share scheme.

Report of the Directors

EQUITY-LINKED AGREEMENT

Save as disclosed in the annual report, there was no equity-linked agreement entered into by the Company or any of its subsidiaries or subsisted at the end of the year.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands which would oblige the Company to offer new Shares on a pro-rata basis to its existing Shareholders.

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

INTERESTS OF DIRECTORS IN THE COMPETING BUSINESS

Save as disclosed in the Prospectus, none of the Directors or their associates had any interest in any business which directly or indirectly compete or may compete with the businesses of our Group since the Listing Date and up to the date of this annual report.

COMPLIANCE WITH NON-COMPETITION DEED

On 4 October 2020, the controlling shareholders of the Company, namely, Mr. Li Wa, Oriental Rich and Urban Hero (the "**Controlling Shareholders**"), have entered into the non-competition deed in favour of the Company and its subsidiaries, pursuant to which, the Controlling Shareholders will not, and will not procure their associates to compete with the Group in relation to the relevant business. Our Controlling Shareholders have also undertaken to our Company that they will, and will procure their associates to refer the New Business Opportunity to our Company. For details, please refer to the section headed "Relationship with Controlling Shareholders" in the Prospectus.

The independent non-executive Directors of the Company are responsible for checking, reviewing, considering and deciding whether or not to adopt and accept new business opportunities referred by the Controlling Shareholders or its subsidiaries to the Company.

Our Controlling Shareholders have undertaken that they have complied with the Non-competition Deed during the Year. The independent non-executive Directors of the Company have monitored and reviewed the implementation of the non-competition deed during the year and confirmed that the Controlling Shareholders have fully complied with the deed and no breach of the deed occurred.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

Connected Transactions

During the year under review, the Company has strictly complied with the requirements set out in Chapter 14A of the Listing Rules in respect of its continuing connected transactions. Details of the continuing connected transactions are as follows:

Continuing Connected Transactions

During the Reporting Period, the Group had the following continuing connected transactions:

1. *Commercial Properties Lease Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master commercial properties lease agreement (the “**Master Commercial Properties Lease Agreement**”) with Mr. Li Wa (“**Mr. Li**”), pursuant to which we will lease from associates of Mr. Li (“**Mr. Li’s Companies**”) (i) certain car parking lots situated in residential and commercial properties managed by us for sub-leasing to residents and tenants in those residential and commercial properties; and (ii) certain public areas in the commercial properties held by Mr. Li’s Companies and managed by us for commercial use, including but not limited to advertisement and provision of car wash services. The Master Commercial Properties Lease Agreement has a term commencing from the Listing Date until 31 December 2022. Our Company (for itself and on behalf of its other subsidiaries) signed a supplementary agreement with Mr. Li on 22 July 2022, extending the term of the Master Commercial Properties Lease Agreement to 31 December 2023. For the details, please refer to the announcement of the Company dated 22 July 2022.

The maximum annual fee payable by us under the Master Commercial Properties Lease Agreement for the four years ended 31 December 2023 will not exceed RMB39.2 million, RMB60.9 million, RMB110.0 million and RMB120.0 million, respectively. For the year ended 31 December 2023, the Group’s fees paid for the Master Commercial Properties Lease Agreement amounted to RMB65.73 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Commercial Properties Lease Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

2. *Property Agency Services Framework Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a property agency services framework agreement (together with its subsequent supplementary agreement, the “**Property Agency Services Framework Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide property agency services in respect of (i) the sales of residential, commercial properties and parking spaces developed by Mr. Li’s Companies, (ii) the unleased units in the office buildings and unleased ancillary commercial units and parking spaces in the residential communities owned by Mr. Li’s Companies and managed by us (the “**Property Agency Services**”). The Property Agency Services Framework Agreement had a term commencing from the Listing Date until 31 December 2022 which was further extended until 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Property Agency Services under the Property Agency Services Framework Agreement for the four years ended 31 December 2023 will not exceed RMB2.60 million, RMB2.90 million, RMB140.00 million and RMB140.00 million, respectively. For the year ended 31 December 2023, the Group’s fees paid for the Property Agency Services Framework Agreement amounted to RMB0.44 million.

As Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Property Agency Services Framework Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Report of the Directors

3. *Master Property Management Services Agreement*

On 5 October 2020, our Company (for itself and on behalf of its other subsidiaries) entered into a master property management services agreement (together with its subsequent supplementary agreement, the “**Master Property Management Services Agreement**”) with Mr. Li, pursuant to which we agreed to provide Mr. Li’s Companies with property management services, including but not limited to (i) pre-delivery services including (a) the on-site security, cleaning, and display units and on-site sales office management services; (b) preliminary planning and design consultancy services; (c) house inspection; and (d) pre-delivery cleaning services; and (ii) the property management services for the unsold residential property units and commercial properties owned and used by Mr. Li’s Companies, for a term commencing from the Listing Date until 31 December 2022 which was further extended to 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Property Management Services for the three years ended 31 December 2023 will not exceed RMB204.80 million, RMB291.70 million, RMB510.00 million and RMB634.00 million, respectively. For the year ended 31 December 2023, the Group’s fees paid for the Property Management Services amounted to RMB355.12 million.

As Mr. Li Wa is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Property Management Services Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

4. *Master Supply & Installation Agreement*

On 5 October 2020, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master supply and installation agreement (together with its subsequent supplementary agreement, the “**Master Supply & Installation Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide assistance to (i) the supply of (a) ventilation and air conditioning system; (b) floor heating and water heating system; and (c) intelligent home system including but not limited to access control and surveillance system to Mr. Li’s Companies; and (ii) the related installation services (the “**System Supply & Installation Services**”). The Master Supply & Installation Agreement has a term commencing from the Listing Date until 31 December 2022 which was further extended until 31 December 2023.

The total contract value with Mr. Li’s Companies in relation to the System Supply & Installation Services for the four years ended 31 December 2023 will not exceed RMB108.60 million, RMB150.00 million, RMB243.20 million and RMB312.70 million, respectively. For the year ended 31 December 2023, the total contract value of the Group for the System Supply & Installation Services amounted to RMB198.15 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply & Installation Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

5. *Master Intelligent Community Services Agreement*

On 12 November 2021, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master intelligent community services agreement (together with its subsequent supplementary agreement, the “**Master Intelligent Community Services Agreement**”) with Mr. Li, pursuant to which our Group agreed to (i) provide assistance to the supply of (a) intelligent community technical blueprints; (b) services of intelligent community software development and testing, production environment software and hardware debugging, property project on-site software and hardware debugging; and (c) services of on-site electronic equipment installation, joint testing and handover of property project management personnel for property projects. The Master Intelligent Community Services Agreement has a term commencing from 12 November 2021 until 31 December 2022 which was further extended until 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Intelligent Community Services for the three years ended 31 December 2023 will not exceed RMB65.00 million, RMB120.00 million and RMB160.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Master Intelligent Community Services amounted to RMB9.38 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply & Installation Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

6. *Master Construction Material Trading Agreement*

On 12 November 2021, our Company (for ourselves and on behalf of our other subsidiaries) entered into a master construction material trading agreement (together with its subsequent supplementary agreement, the “**Master Construction Material Trading Agreement**”) with Mr. Li, pursuant to which our Group agreed to provide assistance to the supply of construction materials (including but not limited to wires and cables, ceramic tiles and wooden flooring). The Master Construction Material Trading Agreement has a term commencing from 12 November 2021 until 31 December 2022 which was further extended until 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Construction Material Trading for the three years ended 31 December 2023 will not exceed RMB115.00 million, RMB448.00 million and RMB733.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Master Construction Material Trading amounted to RMB286.27 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Supply & Installation Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

Report of the Directors

7. *Decoration and Maintenance Services Framework Agreement*

On 22 July 2022, our Company (for ourselves and on behalf of our other subsidiaries) entered into the decoration and maintenance services framework agreement (the “**Decoration and Maintenance Services Framework Agreement**”) with Mr. Li, pursuant to which our Group agreed to supply the Decoration and Maintenance Services to the properties owned, used, developed or being developed by Mr. Li’s Companies in the PRC (the “**Decoration and Maintenance Services**”). The Decoration and Maintenance Services Framework Agreement has a term commencing from 22 July 2022 until 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Decoration and Maintenance Services for the two years ended 31 December 2023 will not exceed RMB38.00 million and RMB65.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Decoration and Maintenance Services amounted to RMB0.07 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Decoration and Maintenance Services Framework Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

8. *Master Parking Spaces’ Use Right Purchase Agreement*

On 22 July 2022, our Company (for itself and on behalf of its other subsidiaries) entered into a master parking spaces’ use right purchase agreement (the “**Master Parking Spaces’ Use Right Purchase Agreement**”) with Mr. Li, pursuant to which our Group agreed to, from time to time, enter into transactions to purchase the rights-of-use of the parking spaces from Mr. Li’s Companies. The Master Parking Spaces’ Use Right Purchase Agreement has a term commencing from 22 July 2022 until 31 December 2023.

The maximum annual fee payable by our Group in relation to the Master Parking Spaces’ Use Right Purchase Agreement for the two years ended 31 December 2023 will not exceed RMB90.00 million and RMB150.00 million, respectively. For the year ended 31 December 2023, the Group’s fees paid for the Master Parking Spaces’ Use Right Purchase Agreement amounted to RMB25.07 million.

As Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Parking Spaces’ Use Right Purchase Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

9. *Master Apartment Properties Lease Agreement*

On 22 July 2022, our Company (for ourselves and on behalf of our other subsidiaries) entered into the master apartment properties lease agreement (the “**Master Apartment Properties Lease Agreement**”) with Mr. Li, pursuant to which our Group agreed to lease the Apartments, which our Group owned or leased from Independent Third Parties to Mr. Li’s Companies. The Master Apartment Properties Lease Agreement has a term commencing from 22 July 2022 until 31 December 2023.

The maximum annual fee payable by Mr. Li’s Companies in relation to the Master Apartment Properties Lease Agreement for the two years ended 31 December 2023 will not exceed RMB18.00 million and RMB28.00 million, respectively. For the year ended 31 December 2023, the fees charged by the Group for the Master Apartment Properties Lease Agreement amounted to RMB0.02 million.

On 31 December 2023, Mr. Li is one of our Controlling Shareholders and is therefore a connected person of our Company for the purpose of the Listing Rules. Accordingly, the transactions under the Master Apartment Properties Lease Agreement constituted continuing connected transactions for our Company under Chapter 14A of the Listing Rules.

During the Reporting Period and pursuant to Rule 14A.55 of the Listing Rules, our independent non-executive Directors have reviewed the above non-exempt continuing connected transactions and have confirmed that such transactions were entered into:

- (i) in the ordinary and usual course of business of the Group;
- (ii) on normal commercial terms or better; and
- (iii) on terms that are fair and reasonable and in a manner that is in the overall interests of the Company and its shareholders.

For the purpose of Rule 14A.56 of the Listing Rules, the Company's auditors were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their letter containing the findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules, and concluded that such transactions:

- (1) have been approved by the Board;
- (2) have followed the pricing policies of the Group in all material aspects, if they involve the goods or services provided by the Group;
- (3) were conducted in accordance with the relevant agreements for such transactions in all material aspects; and
- (4) have an aggregate amount not exceeding the relevant cap disclosed in Prospectus.

The related party transactions mentioned in note 34 to the consolidated financial statements constitute the connected transactions or continuing connected transactions of the Company as defined in Chapter 14A of the Listing Rules, and are in compliance with the disclosure requirements under Chapter 14A of the Listing Rules.

Save as disclosed in this annual report, there were no connected transactions or continuing connected transactions which are required to be disclosed by the Company during the Reporting Period in accordance with the provisions concerning the disclosure of connected transactions under Chapter 14A of the Listing Rules.

CHARITABLE DONATIONS

The Group made no charitable donations and other donations during the Reporting Period.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period, except for the litigation involving Beijing Global Wealth Property Management Co., Ltd., a non wholly-owned subsidiary of the Company, has been disclosed in the announcement of the Company on 21 July 2023, to the best knowledge of the Directors, there is no material legal proceeding or claim which is threatening against the Company.

Report of the Directors

PERMITTED INDEMNITY PROVISIONS

During the Reporting Period and up to the date of this annual report, there were no permitted indemnity provisions which were or are currently in force, and are beneficial to the Directors (whether they were entered into by the Company or others) or any directors of the Company's connected companies (if they were entered into by the Company). The Company has purchased appropriate directors' and officers' liability insurance for its Directors and senior staff.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") has, together with the senior management and the external auditor of the Company, reviewed the accounting principles and practices adopted by our Group as well as the audited consolidated financial statements for the year ended 31 December 2023.

CORPORATE GOVERNANCE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the corporate governance report on pages 61 to 77 in this annual report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best of our Directors' knowledge, information and belief, the Company has maintained sufficient public float as approved by the Stock Exchange and as permitted under the Listing Rules during the entire period from the Listing Date to the date of this annual report.

AUDITORS

KPMG is appointed as auditor of the Company for the year ended 31 December 2023. KPMG has audited the accompanying financial statements which were prepared in accordance with the HKFRS.

By Order of the Board

Chairman

Li Xiaoping

Hong Kong, 27 March 2024

Corporate Governance Report

The Board is pleased to present the Corporate Governance Report of the Company during the year ended 31 December 2023 (the “Year”).

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) contained in Appendix C1 to the Listing Rules as its own corporate governance code. The Company has complied with all applicable code provisions under the CG Code in force during the year ended 31 December 2023, and the Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS CONDUCTED BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct regarding securities transactions conducted by Directors. After making specific enquiries to all Directors, each of them has confirmed that they have complied with the required standards set out in the Model Code during the Year.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group’s strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company’s affairs, the Board has established four Board committees, including the Audit Committee, the remuneration committee (the “**Remuneration Committee**”), the nomination committee (the “**Nomination Committee**”) and the strategy and ESG committee (the “**Strategy and ESG Committee**”) (collectively, the “**Board Committees**”). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

All Directors shall ensure that they carry out their duties in good faith in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

The Company has arranged appropriate insurance coverage in respect of liability arising from legal action against its Directors, and will conduct annual review on such insurance coverage.

Corporate Governance Report

COMPOSITION OF THE BOARD OF DIRECTORS

During the Year, the Board comprised two executive Directors, two non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors:

Mr. Li Xiaoping (*Chairman*)

Mr. Yang Zhidong (*appointed with effect from 15 August 2023*)

Non-executive Directors:

Ms. Guo Ying (*redesignated from executive director to non-executive director with effect from 15 August 2023*)

Mr. Wang Yinhu

Mr. Wang Dou (*resigned with effect from 15 August 2023*)

Independent non-executive Directors:

Professor Cui Haitao (*appointed on 22 March 2024*)

Mr. Kam Chi Sing

Ms. Liu Xiaolan

Mr. Huang Mingxiang (*resigned on 22 March 2024*)

The biographies of the Directors on the Board as at the date of this report are set out in section headed “Directors and Senior Management” in this annual report.

BOARD DIVERSITY POLICY

In order to enhance the effectiveness of our Board and to maintain high standard of corporate governance, the Company has adopted the board diversity policy which sets out the objectives and approach to achieve and maintain diversity on our Board. Pursuant to the board diversity policy, the Company seeks to achieve the diversity of the Board through the consideration of a number of factors when selecting the candidates to our Board, including but not limited to gender, skills, age, professional experience, knowledge, cultural, educational background, ethnicity and length of service. The ultimate decision of the appointment will be based on merit and the contribution which the selected candidates will bring to our Board.

Corporate Governance Report

The board diversity policy is summarized as follows:

Our Board has adopted a board diversity policy which sets out the approach to achieve diversity on our Board. Our Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in supporting the attainment of our Company's strategic objectives and sustainable development. Our Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to talents, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. We will continue to implement measures and steps to promote and enhance gender diversity at all levels of our Company. We will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

Our Board comprises of seven members, including two female Directors. Our Directors also have a balanced mix of knowledge, skills and experience, including property operation and management, marketing, finance and investment. They obtained degrees in various majors including economics, laws, business administration, and management. Furthermore, our Board has a wide range of age, ranging from 47 years old to 66 years old. We have taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. Taking into account our business model and specific needs as well as the presence of two female Directors out of a total of seven Board members, we consider that the composition of our Board satisfies our board diversity policy.

With regards gender diversity on the Board, our board diversity policy further provides that our Board shall take opportunities to increase the proportion of female members over time when selecting and making recommendations on suitable candidates for Board appointments. We will also ensure that there is gender diversity when recruiting staff at mid to senior level so that we will have a pipeline of female senior management and potential successors to our Board going forward. It is our objective to maintain an appropriate balance of gender diversity with reference to the stakeholders' expectation and international and local recommended best practices.

The Nomination Committee is responsible for ensuring the diversity of our Board members. The Nomination Committee will review our board diversity policy from time to time to ensure its continued effectiveness and we will disclose the implementation of our board diversity policy in our corporate governance report on an annual basis. During the year ended 31 December 2023, the Board, through the Nomination Committee, has reviewed the implementation and effectiveness of our board diversity policy and confirm that the Board has an appropriate mix of skills and experience to deliver the Company's strategy.

Corporate Governance Report

Save as disclosed in the biographies of the Directors as set out in the section headed “Directors and Senior Management” of this annual report, none of the Directors has any personal relationship (including financial, business, family or other material/ relevant relationship) with any other Directors or any chief executive.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Remuneration Committee and the Nomination Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organizations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

As of the date of this report, the male-to-female ratios of the Board and workforce are set out as follows:

Gender	Board of Directors	Senior management	Total number of employees
Male	71%	50%	59%
Female	29%	50%	41%

TRAINING AND CONTINUOUS PROFESSIONAL DEVELOPMENT

Based on the above, the Company considers that gender diversity is achieved in the Board and in its workforce generally.

Under the code provision C.1.4 of Part 2 of the CG Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant.

The Company encourages continuous professional development training for all the Directors, and provides them with necessary training and information to ensure that they have a proper understanding of the Company’s operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Company also arranges regular seminars to provide Directors with updates on latest development and changes in the Listing Rules and other relevant legal and regulatory requirements from time to time. The Directors are provided with regular updates on the Company’s performance, position and prospects to enable the Board as a whole and each Director to discharge their duties. In addition, the company secretary of the Company updates and provides all the Directors with written training materials in relation to their roles, functions and duties from time to time.

Corporate Governance Report

According to the information provided by the Directors and the filing records of the company secretary, the records of trainings received by them during the Year are summarized as follows:

Director	Training
Mr. Li Xiaoping	✓
Ms. Guo Ying	✓
Mr. Wang Dou	✓
Mr. Wang Yinhu	✓
Mr. Huang Mingxiang (<i>resigned on 22 March 2024</i>)	✓
Mr. Kam Chi Sing	✓
Ms. Liu Xiaolan	✓

CHAIRMAN AND GENERAL MANAGER

Under the code provision C.2.1 of Part 2 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. Mr. Li Xiaoping acts as the chairman of the Board, and Ms. Guo Ying acts as the General Manager, and the two different positions are clearly defined by their respective functions. The chairman of the Board is responsible for providing overall strategic planning and major business decisions of our Group, while the General Manager is responsible for implementing the strategies and daily operations of the Group.

INDEPENDENT NON-EXECUTIVE DIRECTORS

During the Year, the Board has met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing at least one-third of the Board.

Each of the independent non-executive Directors has confirmed his/her independence and the Company confirms that it still considers each of them to be independent.

In addition to regular Board meetings, the chairman has held meeting(s) with the independent non-executive Directors without the presence of other directors.

Corporate Governance Report

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of our executive Directors has entered into a service agreement with our Company for a term of three years commencing from 2024 to 2026, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of our non-executive Directors and our independent non-executive Directors has entered into a letter of appointment with our Company for a term of three years commencing from 2024 to 2026, which may be terminated by not less than three months' notice in writing served by either party on the other.

Ms. Guo Ying has been redesignated from an executive Director to a non-executive Director with effect from 15 August 2023 and ceased to be the general manager and the chief executive officer of the Group.

Mr. Yang Zhidong has been appointed as a chief executive officer, the general manager of the Group and an executive Director with effect from 15 August 2023.

Mr. Wang Dou has tendered his resignation as a non-executive Director and also ceased to be a member of Audit Committee with effect from 15 August 2023.

Professor Cui Haitao was appointed as an independent non-executive Director on 23 March 2024, and had obtained legal advice referred to under Rule 3.09D of the Listing Rules before his appointment became effective. He obtained the legal advice on 21 March 2024 and Professor Cui has confirmed he understood his obligations as a Director.

Pursuant to the Articles of Association, at each AGM, one-third of the Directors for the time being (or, if the number is not a multiple of three (3), the number nearest to but not less than one-third) shall retire from office by rotation provided that every Director shall be subject to retirement at an AGM at least once every three years. A retired director is eligible for re-election and shall continue to act as the Director throughout the meeting at which his/her retires.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's composition, and making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year, and at approximately quarterly intervals. Notices of no less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for a regular meeting.

For other Board meetings and Board Committee meetings, reasonable notice is generally given by the Company. The agenda and accompanying Board papers are despatched at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and be adequately prepared for the meetings. When Directors or committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the Chairman prior to the meeting. Minutes of meetings shall be kept by the company secretary with copies circulated to all Directors for information and records.

Corporate Governance Report

The following table sets forth the attendance of each Director at the Board meetings and the general meeting of the Company held during the Year:

Director	Number of meetings attended/number of meetings held during the year ended 31 December 2023						
	Board meeting	Audit Committee meeting	Nomination Committee meeting	Remuneration Committee meeting	Annual general meeting	Extraordinary general meeting	Strategy and ESG Committee meeting
Mr. Li Xiaoping	4/4	N/A	2/2	2/2	1/1	0/0	1/1
Ms. Guo Ying	4/4	2/3	1/2	1/2	1/1	0/0	1/1
Mr. Wang Dou	3/4	1/3	N/A	N/A	1/1	0/0	N/A
Mr. Wang Yinhu	4/4	N/A	N/A	N/A	1/1	0/0	1/1
Mr. Huang Mingxiang (resigned on 24 March 2024)	4/4	3/3	2/2	2/2	1/1	0/0	N/A
Mr. Kam Chi Sing	4/4	3/3	2/2	2/2	1/1	0/0	N/A
Ms. Liu Xiaolan	4/4	3/3	2/2	2/2	1/1	0/0	1/1

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. According to code provision B.1.4 of Part 2 the CG Code, our Company has hired independent agents and director could have recourse to seek independent professional advice from such agents in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

During the Reporting Period, the following mechanisms are in place and remain effective in ensuring independent views and input are available to the Board:

- A sufficient number of three independent non-executive Directors (representing more than one third of the Board) having extensive experience and in-depth knowledge continuing to provide independent views and input to the Board on the business affairs of the Company.
- The Nomination Committee assesses the independence of each independent non-executive Directors on an annual basis and the reappointment of any independent non-executive Director is subject to the approval at the annual general meeting by way of ordinary resolution.
- Policy and procedures are in place to avoid any potential conflict of interests. Any Director who has a material interest in any transaction relating to the Company shall abstain from voting on any Board resolution approving the same matter.
- Each Director is required to ensure that he/she can give sufficient time and attention to the affairs of the Company and contribute to the development of the Company's strategy and policies through independent, constructive and informed comments.
- The Board and its committees are entitled to seek independent professional advice on issues relevant to the Company from external professional consultants and advisors as deemed necessary.

Corporate Governance Report

CORPORATE GOVERNANCE FUNCTION

The Board recognizes that corporate governance should be the collective responsibility of the Directors, which includes:

- (a) to review and monitor the Company's policies and practices in complying with legal and regulatory requirements;
- (b) to review and monitor the training and continuous professional development of Directors and senior management;
- (c) to develop, review and monitor the code of conduct and compliance manual applicable to employees and the Directors;
- (d) to develop and review the Company's corporate governance policies and practices and make recommendations and report on related issues to the Board;
- (e) to review the Company's compliance with the CG Code and the disclosures in the Corporate Governance Report;
- (f) to review and monitor the Company's compliance with its whistle blowing policy.

BOARD COMMITTEES

Audit Committee

The Audit Committee currently comprises Ms. Guo Ying, a non-executive Director, and Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Mr. Kam Chi Sing serves as the Chairman of the Audit Committee.

The major duties of the Audit Committee are as follows:

1. to be primarily responsible for making recommendations to the Board on the appointment, re-appointment and removal of the external auditors, to approve the remuneration and terms of engagement of the external auditors, and to deal with any questions of their resignation or dismissal;
2. to review the Company's financial information, to monitor the integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and to review significant financial reporting judgments contained in them;
3. to monitor the Company's financial reporting system, risk management and internal control systems, to review the Company's financial controls, and the Company's risk management and internal control systems, and to discuss the risk management and internal control systems with management to ensure that management has performed its duty to have effective systems; and
4. to perform the Company's corporate governance procedures, to develop and review the Company's policies and practices on corporate governance, and to make recommendations to the Board.

The written terms of reference of the Audit Committee are available on the websites of the Stock Exchange and the Company.

The Audit Committee held 3 meetings during the Year and fulfilled the responsibilities above. The attendance records of each member of the Audit Committee are set out in the section headed “Board Meetings” above. For the year ended 31 December 2023, the Audit Committee of the Group has reviewed the interim and annual financial results and reports and the risk management and internal control systems, supervised the effectiveness of the issuer’s internal audit function, and its other duties under the CG Code.

The Audit Committee has held meeting(s) with the auditors without the presence of the management and executive Directors.

Nomination Committee

The Nomination Committee currently comprises Mr. Li Xiaoping, an executive Director, and Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Mr. Li Xiaoping serves as the Chairman of the Nomination Committee.

The major duties of the Nomination Committee are as follows:

1. to review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company’s strategy;
2. to identify individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;
3. to assess the independence of independent non-executive Directors;
4. to make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors, in particular the Chairman and the chief executive; and
5. to review the Board diversity policy and the measurable objectives and achievements of these objectives set by the Board from time to time.

The Nomination Committee evaluates the candidate or incumbent based on the criteria of integrity, experience, skills, and time and effort devoted to the performance of their duties. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

Corporate Governance Report

The written terms of reference of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

The Nomination Committee held 2 meetings during the Year and fulfilled the responsibilities above. The attendance records of each member of the Nomination Committee are set out in the section headed “Board Meetings” above. As of 31 December 2023, the Nomination Committee of the Group has reviewed the independence of the independent non-executive Directors and structure, size and composition of the Board.

Remuneration Committee

The Remuneration Committee currently comprises Mr. Li Xiaoping, an executive Director, and Professor Cui Haitao, Mr. Kam Chi Sing and Ms. Liu Xiaolan, independent non-executive Directors. Professor Cui Haitao serves as the Chairman of the Remuneration Committee.

According to code provision E.1.2(c)(ii) of Part 2 of CG Code, the model adopted by the Group’s Remuneration Committee is: to make recommendations to the Board on the remuneration packages of individual executive directors and senior management.

The major duties of the Remuneration Committee are as follows:

1. to make recommendations to the Board on the Company’s policy and structure for all Directors’ and senior management’s remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy;
2. to review and approve the management’s remuneration proposals with reference to the Board’s corporate goals and objectives;
3. to make recommendations to the Board on the remuneration of non-executive Directors; and
4. to review and/or approve the matters relating to the share schemes under Chapter 17 of the Listing Rules.

The written terms of reference of the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

The Remuneration Committee held 2 meetings during the Year and fulfilled the responsibilities above. The attendance records of each member of the Remuneration Committee are set out in the section headed “Board Meetings” above. As of 31 December 2023, the Remuneration Committee has reviewed and made recommendation to the Board on the remuneration policy and structure of all the Directors and senior management of the Company.

Strategy and ESG Committee

The Strategy and ESG Committee comprises Mr. Li Xiaoping, an executive Director, Ms. Guo Ying and Mr. Wang Yinhu, non-executive Directors, and Ms. Liu Xiaolan, an independent non-executive Director. Mr. Li Xiaoping serves as the Chairman of the Strategy and ESG Committee.

The major duties of the Strategy and ESG Committee are as follows:

1. to assist the Board in formulating and evaluating the Company's medium and long-term strategic goals and implementation plans;
2. to study and make recommendations to the Board on the Company's overall development strategy, business segment development strategy and major investment decision-making;
3. to assist the Board in formulating the strategic goals of environmental, social and governance ("**ESG**") and implementation plans, and lead the ESG working group at the business level;
4. to supervise the implementation of ESG strategy and the progress of target achievement, assess the potential impact of ESG work on the Company's business model and related risks, listen to internal and external feedback on ESG work, and put forward improvement proposals on the next step of ESG work;
5. to evaluate the effectiveness and impact of the ESG, promote the establishment of an ESG culture, and review the Company's ESG report;
6. to review and assess the implementation of the above matters and make timely recommendations for adjustments; and
7. If the responsibilities of the Strategy and ESG Committee overlap with those of other committees under the Board (being the Audit Committee, the Remuneration Committee and the Nomination Committee), the relevant responsibilities should continue to be performed by the other committees under the Board.

The written terms of reference of the Strategy and ESG Committee are available on the websites of the Stock Exchange and the Company.

The Strategy and ESG Committee held 1 meeting during the Year and fulfilled the responsibilities above. The attendance records of each member of the Strategy and ESG Committee are set out in the section headed "Board Meetings" above. As of 31 December 2023, the Strategy and ESG Committee has reviewed and made recommendation to the Board on the Company's strategic goals and ESG strategic implementation plans.

Corporate Governance Report

Remuneration of Directors and Senior Management

Pursuant to code provision E.1.5 of Part 2 of the CG Code, for the year ended 31 December 2023, details of the remuneration of the Senior Management are set out below:

Remuneration band of Senior Management	Number of individuals
Nil – HK\$1,000,000	1
HK\$2,500,001 – HK\$3,000,000	1

Details of the Directors' remuneration are set out in the note 9 to the consolidated financial statements.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements for the year ended 31 December 2023 which give a true and fair view of the affairs of the Company and the Group and of the Group's results and cash flows.

The management has provided the Board of the Company with such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Company's financial statements, which are put to the Board for approval. The Company has provided all members of the Board with monthly updates on the performance and prospects of the Company.

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

The statement by the auditors regarding their reporting responsibilities on the consolidated financial statements of the Company is set out in the Independent Auditor's Report on pages 78 to 86 of the annual report.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management and internal control systems is a four-level structure comprising the Board, the Audit Committee, the Senior Management and the risk control department.

The Board acknowledges that it is the responsibility of the Board for maintaining adequate risk management and internal control systems to (i) safeguard the investments of Shareholders and assets of the Company and avoid inappropriate use or disposal; (ii) comply with relevant laws, rules or regulations; and (iii) keep reliable financial and accounting records in accordance with relevant reviewing standards and regulatory reporting requirements and review the effectiveness of such systems on an annual basis. Risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has authorized the Audit Committee to take charge of the on-going monitoring of the Group's risk management and internal control system as well as the annual review of its effectiveness. Such review covers all material control aspects, including financial control, operation control and compliance control. As disclosed in the terms of reference of the Audit Committee, the Audit Committee is responsible for monitoring the Company's risk management and internal control systems, oversees the risk management process and review the effectiveness of the risk management and internal control systems through the following procedures:

- To review the Company's risk management procedures and policy;
- To discuss with the Senior Management about the compliance with risk management policy at least each year;
- To discuss with the Senior Management about major risks faced by the Company, evaluate, together with the Senior Management, the measures taken or to be taken to cope with these risks at least each year;
- To continuously review the effectiveness of the Company's risk management practices.

Corporate Governance Report

The Senior Management is responsible for managing the Company's risk management procedures, to ensure compliance with the risk management policy after considering the environmental changes and risk-taking capacity of the Company. Responsibilities of Senior Management include:

- To design and implement the risk management policy across the Company;
- To timely review and update the risk management policy based on the operating and risk structure of the environment, industry and the Company, to ensure its pertinence and efficiency, and make recommendations about the changes in risk management policy, if necessary, to the Audit Committee for review;
- To ensure supplementary relationship between the risk management procedures and annual strategy & business planning procedures of the Company;
- To design and establish a whole set of risk management methodology for providing an appropriate tools to identify, evaluate and manage the business risks;
- To establish a company-wide reporting system and ensure that the Senior Management, the Audit Committee and the Board are aware of all significant risk matters and business risks;
- To ensure that necessary management controls and oversight procedures have been taken to monitor the implementation of risk management policy and the risk management methodology;
- To approve and control the positioning and trend of major risks, risk management strategies and risk management priority rating;
- To review and discuss the Company's overall risk structure, major and emerging risks and risk management activities by discussing with the Senior Management on a regular basis; and
- To review the principal business strategies and plans to evaluate their impact on the Company's overall risk positioning.

Risk Management Procedures

Apart from the oversight responsibilities of the Board, the Company also develops the risk management procedures for identifying, evaluating and managing major risks and solving the significant internal control deficiencies (if any). The Senior Management is responsible for reporting the risks annually through the risk control department. Members of the risk control department could meet several members of the Senior Management to review and evaluate the risks, discuss about the solutions for significant internal control deficiencies (if any), including any changes in annual suitability, aggregation and rating of risks, and development of risk mitigation plans. Several members of the Senior Management could review the risk evaluation and submit it to the Audit Committee and the Board for their review.

Corporate Governance Report

The Board and Senior Management could evaluate the risks based on (i) severity of impact of risks on the Company's financial results; (ii) probability of risk occurrence; and (iii) possible rate or speed of risk occurrence. The main features of the Company's risk management and internal control structure include: (i) exclusive departments are designated to be responsible for the implementation and execution of the Company's risk management and internal control system and heads of major operating divisions or departments are in charge of the management and mitigation of identified risks; (ii) the Management ensures appropriate measures have been taken in relation to significant risks that may affect the Group's business and operation; and (iii) risk control department provides independent confirmation to the management and Audit Committee on the effectiveness of risk management and internal control. During the Reporting Period, the Company guarantees the compliance with the risk management and internal control provisions of the CG Code. During the annual review of risk management and internal control systems, the Board confirms that the Company has sufficient resources, qualification and experience in accounting, internal audit and financial reporting functions.

Risk Control Department

The risk control department of the Group plays an important role in monitoring the internal governance of the Company. The major duties of the Risk Control Department are to review the financial position and internal control of the Company, and to conduct regular and comprehensive reviews on all the branches and subsidiaries of the Company. The Company's compliance function is in the charge of the risk control department, and a retainer legal consultant has been appointed to make judgments on compliance, approval, and whether disclosure is involved during course of business, and provide opinions to the management and make relevant notifications to the information disclosure department.

Internal audit

The Group complies with the relevant requirements of the Listing Rules, and sets up an internal audit department to perform the internal audit function. The department supervises and evaluates the establishment and improvement of the Group's internal monitoring system and whether it is effectively implemented, and provides relevant suggestions, which cover all important aspects of internal monitoring, including financial monitoring, operational monitoring, compliance monitoring and risk management.

Inside Information

With regard to any exceptional significant events that may affect the share price or transaction volume, the Board evaluates the possible impact, and determine whether such information falls within the scope of inside information as stipulated in Rules 13.09 and 13.10 of the Listing Rules and Part XIVA of the SFO, and whether it is necessary to make disclosure as soon as feasibly practicable. Executive Directors and the Joint Company Secretary are also responsible for approving the announcements and/or circulars the Board delegates the Company to publish from time to time.

The Company has also promulgated the Information Disclosure Management System for internal use, in order to establish awareness of information disclosure among the employees and management of the Company and to regulate the behavior of information disclosure.

Corporate Governance Report

AUDITORS' REMUNERATION

The approximate remuneration for the audit and non-audit services provided by the auditor to the Company during the relevant period is as follows:

Type of Services	RMB'000
Audit services	3,000
Other services ^{Note}	2,790
Total	5,790

Note: Other services mainly include statutory audit services for domestic subsidiaries in 2023 and, interim review services for the listed company in 2023.

From the Listing Date to the year ended 31 December 2023, the Company has not changed its auditors.

JOINT COMPANY SECRETARIES

Mr. Lv Li has resigned as the joint company secretary of the Company due to personal reasons, effective from 6 January 2023. The Board appointed Mr. Jia Jie as the joint company secretary of the Company on the same day. For details, please refer to the Company's announcement dated 6 January 2023.

Mr. Cheung Kai Cheong Willie, another joint company secretary of the Company, is a senior manager of SWCS Corporate Services Group (Hong Kong) Limited, which is a company with the focus on providing the company secretary services. The primary contact person of Mr. Cheung in the Company is Mr. Jia Jie.

During the year ended 31 December 2023, both Mr. Jia and Mr. Cheung have undertaken not less than 15 hours of relevant professional training, respectively, in compliance with Rule 3.29 of the Listing Rules.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with the Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognizes the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make the informed investment decisions.

The Company's AGM provides opportunity for the Shareholders to directly communicate with the Directors. The chairman of the Board and the chairmen of the Board Committees of the Company will attend the AGMs to answer Shareholders' questions. The auditor will also attend the AGMs to answer questions about the conduct of the audit, the preparation and content of the auditor's report, accounting policies and auditor's independence.

Corporate Governance Report

To promote effective communication, the Board adopts and regularly reviews its shareholders' communication policy to ensure its effectiveness, and considers its shareholders' communication policy to be effective and adequate. It aims at establishing a two-way relationship and communication between the Company and the Shareholders and sets up a website (<http://www.excepm.com>), where up-to-date information on the Company's business operations and development, financial information, corporate governance practices and other information are available for public access.

The Board regularly reviews shareholder communication policies to ensure their effectiveness and considers them to be effective and sufficient.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

Pursuant to the Articles of Association, Shareholders may propose to convene the general meeting at any time it thinks appropriate. Any one or more members holding as at date of deposit of the requisition not less than one-tenth of the paid-up capital of the Company (carrying the right of voting at general meetings of the Company) shall, at any times, have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting of the Company to be called by the Board for the transaction of any business specified in such request, and such meeting shall be held within two (2) months after the submission of such request. If, within twenty-one (21) days of such submission, the Board fails to proceed to convene such meeting the requisitionist himself/herself may do so in the same manner, and all reasonable expenses incurred by the requisitionist due to the Board's failure shall be reimbursed to the requisitionist by the Company.

Under the Companies Law of the Cayman Islands or the Articles of Association, there is no provision which would allow shareholders to propose a new resolution at the general meeting. Shareholders who wish to propose a resolution may request the Company to convene an extraordinary general meeting in accordance with the aforesaid procedures.

ENQUIRIES TO THE BOARD

Shareholders who intend to put forward their enquiries about the Company to the Board may send their enquiries to the Investor Relations and Securities Affairs Department of the Company by sending an email to ir@exceam.com.

CHANGES IN CONSTITUTIONAL DOCUMENTS

During the year ended 31 December 2023, there were amendments to the Memorandum of Association and Articles of Association, the latest version of which has been published on the websites of the Company and the Stock Exchange. The purposes of the amendments were to, among others (i) bring the Articles in alignment with the Core Shareholder Protection Standards set out in Appendix 3 to the Listing Rules and make corresponding changes to the existing Articles; (ii) provide flexibility to the Company to convene and hold hybrid general meetings and electronic general meetings; (iii) reflect certain updates in relation to the applicable laws of the Cayman Islands and the Listing Rules; and (iv) incorporate certain housekeeping amendments. The amendments were approved by the Shareholders in the AGM on 14 June 2023. Please refer to the circular of the Company dated 29 April 2023 for further details.

Independent Auditor's Report



Independent auditor's report to the shareholders of Excellence Commercial Property & Facilities Management Group Limited

(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Excellence Commercial Property & Facilities Management Group Limited ("**the Company**") and its subsidiaries ("**the Group**") set out on pages 87 to 170, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit and loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and notes, comprising material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("**HKSAs**") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("**the Code**") together with any ethical requirements that are relevant to our audit of the consolidated financial statements in the Cayman Islands, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

KEY AUDIT MATTERS *(continued)*

Expected credit loss allowance for trade receivables

Refer to note 22 to the consolidated financial statements and the accounting policies note 2(l)(i).

The Key Audit Matter

As at 31 December 2023, the net carrying amount of trade receivables of the Group is RMB1,211,433,000, which is made up of a gross amount of RMB1,361,831,000 and a loss allowance of RMB150,398,000. The net carrying amount of trade receivables represented 28.4% of the current assets of the Group.

The Group's trade receivables comprised mainly receivables from property owners, property developers and other parties.

The Group assessed the expected credit loss ("ECL") allowance for trade receivables based on estimated loss rates at the end of each reporting period, which take into account the Group's historical collection data, ageing profile of the receivables and existing market conditions.

We identified assessing the ECL allowance for trade receivables as a key audit matter because trade receivables is material to the Group and the assessment of the ECL allowance is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

Our audit procedures to assess the ECL allowance for trade receivables included the following:

- obtaining an understanding of and evaluating the design, implementation and operating effectiveness of key internal control over the assessment of the ECL allowance for trade receivables;
- evaluating the Group's policy for estimating the ECL allowance with reference to the requirements of the prevailing accounting standard;
- assessing the appropriateness of the estimated loss rates by examining historical collection data and changes in the ageing profile of trade receivables and evaluating whether the estimated loss rates are appropriately adjusted based on the current market conditions;
- assessing whether items in the trade receivables ageing report were categorised in the appropriate time band by comparing a sample of individual items with sales invoices and other relevant underlying documentation;
- re-performing the calculation of the ECL allowance as at 31 December 2023 based on the Group's ECL allowance policies; and
- assessing the reasonableness of the disclosures in the consolidated financial statements in respect of ECL allowance for trade receivables with the reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Assessment of potential impairment of goodwill

Refer to note 16 to the consolidated financial statements and the accounting policies note 2(l)(iii).

The Key Audit Matter

As at 31 December 2023, the Group had total cost of goodwill balance amounting to RMB271,674,000 which was arisen from acquisitions in previous years and current year. As at 31 December 2023, an accumulated impairment of RMB28,159,000 has been recognised.

Management performs annual impairment assessment of goodwill for each cash-generating unit ("CGU") to which goodwill have been allocated. The impairment assessment is carried out by management with the assistance of an external valuer, based on a discounted cash flow forecast for each CGU.

The preparation of discounted cash flow forecasts involves the exercise of significant management judgement, in particular in determining the appropriate short-term and terminal revenue growth rates, profit margin and discount rates.

How the matter was addressed in our audit

Our audit procedures to assess potential impairment of goodwill included the following:

- evaluating the identification of the CGUs and the allocation of assets to that CGUs with reference to the requirements of the prevailing accounting standards;
- for goodwill arising from acquisition in prior years, performing a retrospective review by comparing the forecast revenue and profit margin included in the prior year's discounted cash flow forecasts with the current year's performance to assess how accurate the prior year's discounted cash flow forecasts were and making enquiries of management as to the reasons for any significant variations identified and whether there is any indication of management bias;
- assessing the competence, capabilities and objectivity of the external valuer appointed by management;
- discussing future operating plans with management and challenging the reasonableness of the key assumptions adopted in the discounted cash flow forecasts, in particular in relation to short-term revenue growth rates and profit margin, by comparing these with historical results;
- with the assistance of our internal valuation specialists, evaluating the appropriateness of the methodology with reference to the requirements of the prevailing accounting standards and the reasonableness of the discount rates by benchmarking against other comparable companies in the same industry and challenging the reasonableness of terminal growth rates by comparing with historical economic results;

KEY AUDIT MATTERS *(continued)*

Assessment of potential impairment of goodwill (continued)

Refer to note 16 to the consolidated financial statements and the accounting policies note 2(l)(iii).

The Key Audit Matter

We identified the assessment of potential impairment of goodwill as a key audit matter because the assessment of the recoverable amount of CGUs can be inherently subjective and requires the exercise of significant management judgement and estimation which increases the risk of error or management bias.

How the matter was addressed in our audit

- evaluating the sensitivity analysis prepared by management for each of the key assumptions adopted in the discounted cash flow forecasts to assess whether there is any indication of management bias;
- testing the mathematical accuracy of the calculations of the goodwill impairment assessment if any; and
- assessing the reasonableness of the disclosures in the consolidated financial statements in relation to impairment testing of goodwill with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

KEY AUDIT MATTERS *(continued)*

Expected credit loss allowance for financial guarantee issued

Refer to note 29 to the consolidated financial statements and the accounting policies note 2(l)(ii).

The Key Audit Matter

The financial guarantee issued represents the guarantee on a loan and interest of the loan jointly guaranteed by Beijing Global Wealth Property Management Co., Ltd. (“**Beijing Global**”), a non wholly-owned subsidiary of the Company. During the year, Beijing Global received a statement of claim, the notice of response and other documents from Beijing Financial Court in relation to a dispute of the outstanding loan. As at 31 December 2023, the financial guarantee issued was measured at an amount equal to the ECL allowance of RMB72,433,000. During the year, an impairment of RMB10,062,000 was recognised.

Management assessed the ECL allowance for the financial guarantee issued based on the expected payments including additional interest and penalty on overdue payments to reimburse the holder of the financial guarantee, taking into account the liquidation value of the pledged property. Management's assessment of the liquidation value of the pledged property is based on valuation prepared by an external property valuer, which involves a significant degree of judgement and estimation with respect to comparable market transactions and liquidity discount. The expected net cash outflow is discounted using the current risk-free rate adjusted for risks specific to the cash flows.

How the matter was addressed in our audit

Our audit approach to assess the ECL allowance for the financial guarantee issued included the following:

- Understanding the exposure of the financial guarantee issued by inspecting both the legal opinion issued by the legal advisors and statement of claim the Group was served with;
- obtaining and inspecting the valuation report prepared by the external property valuer engaged by management and on which the directors' assessment of the liquidation value of the pledged property was based;
- assessing the competence, capabilities and objectivity of the external valuer appointed by management;
- with the assistance of our internal property valuation specialists, discussing with the external property valuer and evaluating the appropriateness of the external property valuer's valuation methodology with reference to the requirements of the prevailing accounting standards and assessing the reasonableness of the key estimates and assumptions adopted, in particular comparable property sales considered in the valuation by comparing with available market information;
- assessing the reasonableness of the liquidity discount adopted in the valuation by comparing with available market information on foreclosure;

KEY AUDIT MATTERS *(continued)*

Expected credit loss allowance for financial guarantee issued (continued)

Refer to note 29 to the consolidated financial statements and the accounting policies note 2(l)(ii).

The Key Audit Matter

We identified the assessment of the ECL allowance for the financial guarantee issued as a key audit matter because the balance is material to the Group and the assessment of ECL is inherently subjective and requires the exercise of significant management judgement.

How the matter was addressed in our audit

- assessing the reasonableness of management's assumptions on the expected reimbursement amount (including additional interest and penalty on overdue payments to be incurred in respect of the delay in settlement of the loan) with reference to relevant agreements, current policies issued by the People's Bank of China and statement of claim and, with the assistance of our internal valuation specialist, assessing the reasonableness of the discount rate adopted in the assessment of ECL allowance by benchmarking against those of other comparable companies;
- testing the mathematical accuracy of the calculation of the ECL allowance for the financial guarantee issued; and
- assessing the reasonableness of disclosures in the consolidated financial statements in relation to the financial guarantee issued with reference to the requirements of the prevailing accounting standards.

Independent Auditor's Report

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

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

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

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

Independent Auditor's Report

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Chun Pong.

KPMG

Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

27 March 2024

Consolidated Statement of Profit or Loss

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Revenue	4	3,926,808	3,527,396
Cost of sales		(3,180,117)	(2,683,050)
Gross profit		746,691	844,346
Other revenue	5(a)	52,758	66,736
Other net gain	5(b)	13,744	11,150
Impairment losses on receivables, contract assets and financial guarantee issued	6	(96,696)	(84,175)
Impairment loss on goodwill	16	–	(28,159)
Selling and marketing expenses		(45,521)	(28,936)
Administrative expenses		(232,702)	(174,144)
Profit from operations		438,274	606,818
Finance costs	7(a)	(5,941)	(9,136)
Share of profits less losses of associates	18	8,075	1,524
Share of profits less losses of joint ventures	19	2,403	822
Profit before taxation	7	442,811	600,028
Income tax	8	(119,464)	(173,573)
Profit for the year		323,347	426,455
Attributable to:			
Equity shareholders of the Company		302,688	403,494
Non-controlling interests		20,659	22,961
Profit for the year		323,347	426,455
Earnings per share (RMB cents)	11		
Basic		24.8	33.1
Diluted		24.8	33.1

The notes on pages 94 to 170 from part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in note 33(d).

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023
(Expressed in Renminbi)

	2023	2022
	RMB'000	RMB'000
Profit for the year	323,347	426,455
Other comprehensive income for the year		
<i>Items that may be reclassified subsequently to profit or loss:</i>		
Exchange differences on translation of financial statements of entities not using Renminbi (“RMB”) as functional currency	1,110	(22,759)
Total comprehensive income for the year	324,457	403,696
Attributable to:		
Equity shareholders of the Company	303,798	380,735
Non-controlling interests	20,659	22,961
Total comprehensive income for the year	324,457	403,696

The notes on pages 94 to 170 form part of these financial statements.

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Non-current assets			
Investment properties	12	–	101,502
Property, plant and equipment	13	52,129	53,746
Intangible assets	15	334,912	367,458
Goodwill	16	243,515	225,287
Interests in associates	18	91,358	13,053
Interests in joint ventures	19	11,800	8,377
Financial assets measured at fair value through profit or loss ("FVPL")	20	121,699	120,000
Deferred tax assets	32(b)	71,083	52,634
		926,496	942,057
Current assets			
Inventories	21	96,762	52,914
Contract assets	27(a)	33,442	8,329
Trade and other receivables	22	1,586,026	1,314,154
Prepaid tax	32(a)	14,529	5,214
Loans receivable	23	317,907	67,821
Restricted deposits	24	66,525	57,215
Cash and cash equivalents	25	2,156,703	2,564,428
		4,271,894	4,070,075
Current liabilities			
Bank loans and other borrowings	26	22,000	–
Contract liabilities	27(b)	175,235	163,822
Trade and other payables	28	1,101,261	906,511
Financial guarantee issued	29	72,433	62,371
Lease liabilities	30	9,014	13,413
Current taxation	32(a)	72,016	78,389
		1,451,959	1,224,506
Net current assets		2,819,935	2,845,569
Total assets less current liabilities		3,746,431	3,787,626

Consolidated Statement of Financial Position

(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Non-current liabilities			
Lease liabilities	30	9,673	111,517
Financial liabilities measured at fair value through profit or loss ("FVPL")	20	5,091	–
Deferred tax liabilities	32(b)	78,971	86,810
		<u>93,735</u>	<u>198,327</u>
NET ASSETS			
		<u>3,652,696</u>	<u>3,589,299</u>
CAPITAL AND RESERVES			
Share capital	33(a)	10,479	10,479
Reserves		3,567,561	3,481,016
Total equity attributable to equity shareholders of the Company	33(d)	<u>3,578,040</u>	<u>3,491,495</u>
Non-controlling interests	33(d)	<u>74,656</u>	<u>97,804</u>
TOTAL EQUITY		<u>3,652,696</u>	<u>3,589,299</u>

Approved and authorised for issue by the board of directors on 27 March 2024.

Li Xiaoping
Director

Yang Zhidong
Director

The notes on pages 94 to 170 form part of these financial statement.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

(Expressed in Renminbi)

		Attributable to equity shareholders of the Company								Non - controlling interests	Total equity	
		Share capital	Share premium	PRC Statutory reserves	Share option reserves	Treasury shares	Exchange reserve	Other reserves	Retained profits			Total
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Note		33(a)	33(b)	33(c)(i)	31		33(c)(ii)					
	At 1 January 2023	10,479	2,941,553	186,405	16,200	-	(144,381)	(57,326)	538,565	3,491,495	97,804	3,589,299
	Changes in equity for 2023:											
	Profit for the year	-	-	-	-	-	-	-	302,688	302,688	20,659	323,347
	Other comprehensive income for the year	-	-	-	-	-	1,110	-	-	1,110	-	1,110
	Total comprehensive income for the year	-	-	-	-	-	1,110	-	302,688	303,798	20,659	324,457
	Acquisitions of subsidiaries	34	-	-	-	-	-	-	-	-	13,539	13,539
	Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	(57,262)	(57,262)
	2022 final dividend declared in respect of the previous year	33(d)(i)	-	-	-	-	-	-	(64,740)	(64,740)	-	(64,740)
	2023 interim dividend declared in respect of the current year	33(d)(i)	-	-	-	-	-	-	(136,313)	(136,313)	-	(136,313)
	Appropriations to statutory surplus reserves		-	-	80,979	-	-	-	(80,979)	-	-	-
	Net impact of forfeiture of share options	31	-	-	(16,200)	-	-	-	-	(16,200)	(84)	(16,284)
			-	-	80,979	(16,200)	-	1,110	-	20,656	(23,148)	63,397
	At 31 December 2023	10,479	2,941,553	267,384	-	-	(143,271)	(57,326)	559,221	3,578,040	74,656	3,652,696

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	Attributable to equity shareholders of the Company									Non - controlling interests RMB'000	Total equity RMB'000
		Share capital RMB'000	Share premium RMB'000	PRC Statutory reserves RMB'000	Share option reserves RMB'000	Treasury shares RMB'000	Exchange reserve RMB'000	Other reserves RMB'000	Retained profits RMB'000	Total RMB'000		
		33(a)	33(b)	33(c)(i)	31		33(c)(ii)					
At 1 January 2022		10,496	2,949,636	142,927	22,715	(8,100)	(121,622)	(57,326)	506,822	3,445,548	20,884	3,466,432
Changes in equity for 2022:												
Profit for the year		-	-	-	-	-	-	-	403,494	403,494	22,961	426,455
Other comprehensive loss for the year		-	-	-	-	-	(22,759)	-	-	(22,759)	-	(22,759)
Total comprehensive income for the year		-	-	-	-	-	(22,759)	-	403,494	380,735	22,961	403,696
Acquisitions of subsidiaries		-	-	-	-	-	-	-	-	-	70,681	70,681
Dividend declared to non-controlling interests		-	-	-	-	-	-	-	-	-	(16,728)	(16,728)
2021 final dividend declared in respect of the previous year	33(d)(ii)	-	-	-	-	-	-	-	(172,801)	(172,801)	-	(172,801)
2022 interim dividend declared in respect of the current year	33(d)(i)	-	-	-	-	-	-	-	(155,472)	(155,472)	-	(155,472)
Capital injection from non-controlling interest		-	-	-	-	-	-	-	-	-	5	5
Appropriations to statutory surplus reserves		-	-	43,478	-	-	-	-	(43,478)	-	-	-
Pre-IPO equity-settled share-based payment	31	-	-	-	6,797	-	-	-	-	6,797	43	6,840
Forfeiture of share options	31	-	-	-	(13,312)	-	-	-	-	(13,312)	(42)	(13,354)
Cancellation of repurchased own shares		(17)	(8,083)	-	-	8,100	-	-	-	-	-	-
		(17)	(8,083)	43,478	(6,515)	8,100	(22,759)	-	31,743	45,947	76,920	122,867
At 31 December 2022		10,479	2,941,553	186,405	16,200	-	(144,381)	(57,326)	538,565	3,491,495	97,804	3,589,299

The notes on pages 94 to 170 form part of these financial statements.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023
(Expressed in Renminbi)

	Note	2023 RMB'000	2022 RMB'000
Operating activities			
Cash (used in)/generated from operations		(22,094)	422,590
Corporate Income Tax paid	32(a)	(163,112)	(230,503)
Net cash (used in)/generated from operating activities		(185,206)	192,087
Investing activities			
Net cash flow from disposal of subsidiaries	22(b)	100,000	70,000
Repayment from disposed subsidiaries		-	295,321
Return of advanced payment after termination of proposed disposal of a subsidiary		-	(305,095)
Payment for purchase of property, plant and equipment and intangible assets		(14,579)	(18,374)
Proceed from disposal of property, plant and equipment		625	430
Dividend received from an associate		1,230	1,080
Payment for investments in associates		(70,226)	-
Payment for investment in a joint venture		-	(1,494)
Payment for investment in a financial asset at FVPL	20	-	(120,000)
Acquisitions of subsidiaries, net of cash acquired	34	(7,908)	(132,369)
Net cash flow for purchase of wealth management products		331	377
Interest received		34,594	44,990
Net cash generated from/(used in) investing activities		44,067	(165,134)
Financing activities			
Proceed from bank loans and other borrowings	25(c)	22,000	-
Repayment of bank loans and other borrowings	25(c)	(14,000)	(75,000)
Capital element of lease rentals paid	25(c)	(17,645)	(17,738)
Interest element of lease rentals paid	25(c)	(5,246)	(7,061)
Interest paid	25(c)	(695)	(2,271)
Dividends paid to equity shareholders		(201,053)	(328,273)
Dividends paid to non-controlling interests		(51,057)	(16,728)
Capital injection from non-controlling interest		-	5
Net cash used in financing activities		(267,696)	(447,066)
Net decrease in cash and cash equivalents		(408,835)	(420,113)
Cash and cash equivalents at 1 January	25(a)	2,564,428	3,007,300
Effect of foreign exchange rate changes		1,110	(22,759)
Cash and cash equivalents at 31 December	25(a)	2,156,703	2,564,428

The notes on pages 94 to 170 form part of these financial statements.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

1 GENERAL INFORMATION

Excellence Commercial Property & Facilities Management Group Limited (the “**Company**”) was incorporated in the Cayman Islands on 13 January 2020 as an exempted company with limited liability under the Companies Law, Cap 22 (Law 3 of 1961, as combined and revised) of the Cayman Islands. The Company’s shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) on 19 October 2020 (“**Listing Date**”). The address of the Company’s registered office is Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111 Cayman Islands.

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of property management services and related value-added services in the People’s Republic of China (the “**PRC**”). The ultimate controlling company is Oriental Rich Holdings Group Limited (“**Oriental Rich**”). The ultimate controlling shareholder of the Company and its subsidiaries (together referred to as the “**Group**”) is Mr. Li Wa (“**Mr. Li**” or the “**Ultimate Controlling Shareholder**”).

2 MATERIAL ACCOUNTING POLICIES

(a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”). Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 2(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current accounting period reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Group and the Group’s interests in associates and joint ventures.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(b) Basis of preparation of the financial statements *(continued)*

The financial statements are presented in RMB rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets are stated at fair value as explained in the accounting policies set out below:

- investments in financial instruments (see note 2(g)).

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

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

Judgements made by management in the application of HKFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in note 3.

(c) Changes in accounting policies

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- HKFRS 17, *Insurance contracts*
- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements* and HKFRS Practice Statement 2, *Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform – Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(d) Subsidiaries and non-controlling interests

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Intra-group balances and transactions, and any unrealised income and expenses (except for foreign currency transaction gains or losses) arising from intra-group transactions, are eliminated. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

For each business combination, the Group can elect to measure any non-controlling interests (“**NCI**”) either at fair value or at the NCI’s proportionate share of the subsidiary’s net identifiable assets. NCI are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the company. NCI in the results of the Group are presented on the face of the consolidated statement of profit or loss and the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between NCI and the equity shareholders of the company.

Changes in the Group’s interests in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

When the Group loses control of a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in that former subsidiary is measured at fair value when control is lost.

In the company’s statement of financial position, an investment in a subsidiary is stated at cost less impairment losses (see note 2(l)).

(e) Associates and joint ventures

An associate is an entity in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has the rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

An interest in an associate or a joint venture is accounted for using the equity method, unless it is classified as held for sale (or included in a disposal group classified as held for sale). They are initially recognised at cost, which includes transaction costs. Subsequently, the consolidated financial statements include the Group’s share of the profit or loss and other comprehensive income (“**OCI**”) of those investees, until the date on which significant influence or joint control ceases.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(e) Associates and joint ventures *(continued)*

When the Group's share of losses exceeds its interest in the associate or the joint venture, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the investee. For this purpose, the Group's interest is the carrying amount of the investment under the equity method, together with any other long-term interests that in substance form part of the Group's net investment in the associate or the joint venture (after applying expected credit loss model to such other long-term interests where applicable (see note 2(l)(i)).

Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent there is no evidence of impairment.

(f) Business combination and goodwill

(i) *Business combinations involving entities not under common control*

Business combinations involving entities not under common control are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are expensed as incurred.

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

Any contingent consideration assumed in a business combination is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

(ii) *Goodwill*

Goodwill arising on acquisition of businesses is measured at cost less accumulated impairment losses and is tested annually for impairment (see note 2(l)).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(g) Other investments in financial instruments

The Group's policies for investments in financial instruments, other than investments in subsidiaries, associates and joint ventures, are set out below:

Investments in financial instruments are recognised/derecognised on the date the Group commits to purchase/sell the investment. The investments are initially stated at fair value plus directly attributable transaction costs, except for those investments measured at FVPL for which transaction costs are recognised directly in profit or loss. For an explanation of how the Group determines fair value of financial instruments. These investments are subsequently accounted for as follows, depending on their classification.

(i) *Non-equity investments*

Non-equity investments are classified into one of the following measurement categories:

- Amortised cost, if the investment is held for the collection of contractual cash flows which represent solely payments of principal and interest. Expected credit losses, interest income calculated using the effective interest method (see note 2(v)(ii)(a)), foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.
- Fair value through other comprehensive income (“**FVOCI**”) – recycling, if the contractual cash flows of the investment comprise solely payments of principal and interest and the investment is held within a business model whose objective is achieved by both the collection of contractual cash flows and sale. Expected credit losses, interest income (calculated using the effective interest method) and foreign exchange gains and losses are recognised in profit or loss and computed in the same manner as if the financial asset was measured at amortised cost. The difference between the fair value and the amortised cost is recognised in OCI. When the investment is derecognised, the amount accumulated in OCI is recycled from equity to profit or loss.
- FVPL if the investment does not meet the criteria for being measured at amortised cost or FVOCI (recycling). Changes in the fair value of the investment (including interest) are recognised in profit or loss.

(ii) *Equity investments*

An investment in equity securities is classified as FVPL, unless the investment is not held for trading purposes and on initial recognition the Group makes an irrevocable election to designate the investment at FVOCI (non-recycling) such that subsequent changes in fair value are recognised in OCI. Such elections are made on an instrument-by-instrument basis, but may only be made if the investment meets the definition of equity from the issuer's perspective. If such election is made for a particular investment, at the time of disposal, the amount accumulated in the fair value reserve (non-recycling) is transferred to retained earnings and not recycled through profit or loss. Dividends from an investment in equity securities, irrespective of whether classified as at FVPL or FVOCI, are recognised in profit or loss as other income (see note 2(v)(ii)(c)).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(h) Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2(k)(ii)) to earn rental income and/or for capital appreciation. This includes property that is being constructed or developed for future use as investment properties.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss (see note 2(l)(iii)). Rental income from investment properties is recognised in accordance with note 2(v)(ii)(b).

Depreciation is calculated to write off the costs of investment properties, using the straight-line method over their lease term typically over the lease term.

(i) Property, plant and equipment

The following items of property, plant and equipment are stated at cost, which includes capitalised borrowing costs, less accumulated depreciation and any accumulated impairment losses (see note 2(l)(iii)):

- right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest (see note 2(k)); and
- items of plant and equipment.

Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual values, if any, using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Office equipment and furniture	3–5 years
– Motor vehicles	5 years
– Leasehold improvement	3–5 years
– Machinery equipment	3–5 years
– Other leased properties	Over the lease terms

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(j) Intangible assets (other than goodwill)

Expenditure on research activities is recognised in profit or loss as incurred. Development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable and the Group intends to and has sufficient resources to complete development and to use or sell the resulting asset. Otherwise, it is recognised in profit or loss as incurred. Capitalised development expenditure is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses.

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and any accumulated impairment losses (see note 2(l)(iii)).

Expenditure on internally generated goodwill and brands, is recognised in profit or loss as incurred.

Amortisation is calculated to write off the cost of intangible assets less their estimated residual values using the straight-line method over their estimated useful lives, if any, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative periods are as follows:

– Software	2–5 years
– Uncompleted property management contracts	Note
– Customer relationships	Note

Note: Uncompleted property management contracts and customer relationships acquired in business combinations are recognised at fair value at the acquisition date. Amortisation is calculated using the straight-line method over the expected useful lives of the respective property management contracts and customer relationships.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(k) Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. This is the case if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

Where the contract contains lease component(s) and non-lease component(s), the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for leases that have a short lease term of 12 months or less, and leases of low-value items such as laptops and office furniture. When the Group enters into a lease in respect of a low-value item, the Group decides whether to capitalise the lease on a lease-by-lease basis. If not capitalised, the associated lease payments are recognised in profit or loss on a systematic basis over the lease term.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(i) As a lessee *(continued)*

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is recognised using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability, and are charged to profit or loss as incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2(h), 2(i) and 2(l)(iii)).

Refundable rental deposits are accounted for separately from the right-of-use assets in accordance with the accounting policy applicable to investments in non-equity securities carried at amortised cost (see notes 2(g)(i) and 2(l)(i)). Any excess of the nominal value over the initial fair value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The lease liability is also remeasured when there is a lease modification, which means a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract, if such modification is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(k) Leased assets *(continued)*

(ii) As a lessor

The Group determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. Otherwise, the lease is classified as an operating lease.

When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. The rental income from operating leases is recognised in accordance with note 2(v)(ii)(b).

When the Group is an intermediate lessor, the sub-leases are classified as a finance lease or as an operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the exemption described in note 2(k)(i), then the Group classifies the sub-lease as an operating lease.

(l) Credit losses and impairment of assets

(i) Credit losses from financial instruments and contract assets

The Group recognises a loss allowance for expected credit losses (“ECL”s) on:

- Financial assets measured at amortised cost (including cash and cash equivalents, restricted cash, loans receivable and trade and other receivables); and
- Contract assets (see note 2(n)).

Financial assets measured at fair value are not subject to the ECL assessment.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Generally, credit losses are measured as the present value of all expected cash shortfalls between the contractual and expected amounts.

The expected cash shortfalls are discounted using the following rates if the effect is material:

- Fixed-rate financial assets, loans receivable, trade and other receivables and contract assets: effective interest rate determined at initial recognition or an approximation thereof; and
- Variable-rate financial assets: current effective interest rate.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(I) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Measurement of ECLs *(continued)*

ECLs are measured on either of the following bases:

- 12-month ECLs: these are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months); and
- lifetime ECLs: these are the ECLs that result from all possible default events over the expected lives of the items to which the ECL model applies.

The Group measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-months ECLs:

- financial instruments that are determined to have low credit risk at the reporting date; and
- other financial instruments (including loan commitments issued) for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

Significant increases in credit risk

When determining whether the credit risk of a financial instrument (including a loan commitment) has increased significantly since initial recognition and when measuring ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment.

The Group considers a financial asset to be in default when:

- the debtor is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held); or
- the financial asset is 90 days past due.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(I) Credit losses and impairment of assets *(continued)*

(i) Credit losses from financial instruments and contract assets *(continued)*

Significant increases in credit risk *(continued)*

ECLs are remeasured at each reporting date to reflect changes in the financial instrument's credit risk since initial recognition. Any change in the ECL amount is recognised as an impairment gain or loss in profit or loss. The Group recognises an impairment gain or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in non-equity securities that are measured at FVOCI (recycling), for which the loss allowance is recognised in OCI and accumulated in the fair value reserve (recycling) does not reduce the carrying amount of the financial asset in the statement of financial position (see note 2(g)).

Credit-impaired financial assets

At each reporting date, the Group assesses whether a financial asset is credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable events:

- significant financial difficulties of the debtor;
- significant decrease in property management and other service fees collection rate;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties of the issuer.

Write-off policy

The gross carrying amount of a financial asset or contract asset is written off to the extent that there is no realistic prospect of recovery. This is generally the case when the asset becomes 3 years past due or when the Group otherwise determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off.

Subsequent recoveries of an asset that was previously written off are recognised as a reversal of impairment in profit or loss in the period in which the recovery occurs.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(I) Credit losses and impairment of assets *(continued)*

(ii) *Credit losses from financial guarantees issued*

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the “holder”) for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees issued are initially recognised at fair value. Such a contract is subsequently measured at the higher of the amount of the loss allowance and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the term of the guarantee.

The Group monitors the risk that the specified debtor will default on the contract and remeasures the above liability at a higher amount when ECLs on the financial guarantees are determined to be higher than the carrying amount in respect of the guarantees.

To determine ECLs, the Group considers changes in the risk of default of the specified debtor since the issuance of the guarantee. A 12-month ECL is measured unless the risk that the specified debtor will default has increased significantly since the guarantee is issued, in which case a lifetime ECL is measured. The same definition of default and the same assessment of significant increase in credit risk as described in note 2(I)(i) apply.

As the Group is required to make payments only in the event of a default by the specified debtor in accordance with the terms of the instrument that is guaranteed, an ECL is estimated based on the expected payments to reimburse the holder for a credit loss that it incurs less any amount that the Group expects to receive from the holder of the guarantee, the specified debtor or any other party. The amount is then discounted using the current risk-free rate adjusted for risks specific to the cash flows.

(iii) *Impairment of other non-current assets*

At each reporting date, the Group reviews the carrying amounts of its non-financial assets (other than property carried at revalued amounts, investment property, inventories and other contract costs, contract assets and deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset’s recoverable amount is estimated. Goodwill is tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units (“CGU”s). Goodwill arising from a business combination is allocated to CGUs or groups of CGUs that are expected to benefit from the synergies of the combination.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(l) Credit losses and impairment of assets *(continued)*

(iii) *Impairment of other non-current assets (continued)*

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs of disposal. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount.

Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU, and then to reduce the carrying amounts of the other assets in the CGU on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. For other assets, an impairment loss is reversed only to the extent that the resulting carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(iv) *Interim financial reporting and impairment*

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with HKAS 34, Interim financial reporting, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see notes 2(l)(i) and (iii)).

Impairment losses recognised in an interim period in respect of goodwill are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates.

(m) Inventories

Inventories are measured at the lower of cost and net realisable value as follows:

(i) *Properties held for sale*

Costs of purchased car parks are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) *Customised software*

The cost of customised software comprises all costs of materials, supplies, labour and other direct costs incurred during the production progress. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(m) Inventories *(continued)*

(iii) Others

Cost is determined on an individual item basis and comprises all costs of uninstalled equipments and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised.

(n) Contract assets and contract liabilities

A contract asset is recognised when the Group recognises revenue before being unconditionally entitled to the consideration under the payment terms set out in the contract. Contract assets are assessed for ECLs (see note 2(l)(i)) and are reclassified to receivables when the right to the consideration becomes unconditional (see note 2(o)).

A contract liability is recognised when the customer pays non-refundable consideration before the Group recognises the related revenue. A contract liability is also recognised if the Group has an unconditional right to receive non-refundable consideration before the Group recognises the related revenue. In such latter cases, a corresponding receivable is also recognised (see note 2(o)).

(o) Trade and other receivables and loans receivable

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

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs.

All receivables are subsequently stated at amortised cost (see note 2(l)(i)).

(p) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and other short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Cash and cash equivalents are assessed for ECL (see note 2(l)(i)).

(q) Trade and other payables

Trade and other payables are initially recognised at fair value. Subsequent to initial recognition, trade and other payables are stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(r) Interest-bearing borrowings

Interest-bearing borrowings are measured initially at fair value less transaction costs. Subsequently, these interest-bearing borrowings are stated at amortised cost using the effective interest method. Interest expense is recognised in accordance with note 2(x).

(s) Employee benefits

(i) *Short-term employee benefits and contributions to defined contribution retirement plans.*

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Obligations for contributions to defined contribution retirement plans are expensed as the related service is provided.

(ii) *Share-based payments*

The grant-date fair value of equity-settled share-based payments granted to employees is measured using the binomial lattice model. The amount is generally recognised as an expense, with a corresponding increase in equity, over the vesting period of the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service conditions are expected to be met, such that the amount ultimately recognised is based on the number of awards that meet the related service conditions at the vesting date.

(iii) *Termination benefits*

Termination benefits are expensed at the earlier of when the Group can no longer withdraw the offer of those benefits and when the Group recognises costs for a restructuring.

(t) Income tax

Income tax expense comprises current tax and deferred tax. It is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

Current tax comprises the estimated tax payable or receivable on the taxable income or loss for the year and any adjustments to the tax payable or receivable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects any uncertainty related to income taxes. It is measured using tax rates enacted or substantively enacted at the reporting date. Current tax also includes any tax arising from dividends.

Current tax assets and liabilities are offset only if certain criteria are met.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(t) Income tax *(continued)*

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences;
- temporary differences related to investment in subsidiaries, associates and joint venture to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future;
- taxable temporary differences arising on the initial recognition of goodwill; and
- those related to the income taxes arising from tax laws enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development.

The Group recognised deferred tax assets and deferred tax liabilities separately in relation to its lease liabilities and right-of-use assets.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Deferred tax assets and liabilities are offset only if certain criteria are met.

(u) Provisions and contingent liabilities

Generally provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the liability.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Revenue and other income recognition

Income is classified by the Group as revenue when it arises from the provision of services in the ordinary course of the Group's business.

Further details of the Group's revenue and other income recognition policies are as follows:

(i) *Revenue from contracts with customers*

Except for the sale of materials supply services, the Group is the principal for its revenue transactions and recognises revenue on a gross basis. In determining whether the Group acts as a principal or as an agent, it considers whether it obtains control of the products or services before they are transferred to the customer. Control refers to the Group's ability to direct the use of and obtain substantially all of the remaining benefits from the products or services.

Revenue is recognised when control over a product or service is transferred to the customer at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties such as value added tax.

(a) Basic property management services

The Group recognises revenue in the amount to which the Group has the right to invoice based on the value of performance completed.

For basic property management service income arising from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of basic property management service fee received. For basic property management service income arising from properties managed under commission basis, where the Group acts as an agent of the property owners, the Group entitles to revenue at a pre-determined percentage or fixed amount of the basic property management service fees the property owners are obligated to pay.

(b) System or materials supply services

Revenue for system or materials supply service is recognised when the customer takes possession of and accepts the products or the installation service is rendered. If the products are a partial fulfilment of a contract covering other goods and/or services, then the amount of revenue recognised is an appropriate proportion of the total transaction price under the contract, allocated between all the goods and services promised under the contract on a relative stand-alone selling price basis.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Revenue and other income recognition *(continued)*

(i) Revenue from contracts with customers *(continued)*

(c) Engineering services

Engineering services are recognised when (or as) a performance obligation is satisfied, i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. The amount of revenue recognised in over time according to the measurement of progress towards complete satisfaction of a performance obligation.

Output method

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

Input method

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

Principal versus agent

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

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

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

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(v) Revenue and other income recognition *(continued)*

(i) Revenue from contracts with customers *(continued)*

(d) Intelligent community services

The Group provides intelligent community solutions and sells intelligent hardware devices and software to property developers. Revenue for intelligent community service is recognised in point time when the smart devices are delivered and the services are rendered.

(e) Other value-added services

Other value-added services mainly include preliminary planning and design consultancy services, property leasing and sales agency services, public area leasing services, high-end services to senior executives of the corporate customers, administration and logistics support services to corporate customers, sales assistance services, sales agent services, office cleaning service, and canteen operation services. The Group recognises revenue as the services are provided based on the value of performance completed or services are rendered.

(ii) Revenue from other sources and other income

(a) Finance service and other interest income

Finance service income from micro-lending business and other interest income on loans is measured on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset. When a loan has been written down as a result of an impairment loss, finance service and other interest income is recognised using the rate of interest used to discount the future cash receipts for the purpose of measuring the impairment loss, i.e. the original effective interest rate.

(b) Rental income from operating leases

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are earned.

(c) Dividends

Dividend income is recognised in profit or loss on the date on which the Group's right to receive payment is established.

(d) Government grants

Government grants are recognised in the consolidated statement of financial position initially when there is reasonable assurance that they will be received and that the Group will comply with the conditions attaching to them. Grants that compensate the Group for expenses incurred are recognised as income in profit or loss on a systematic basis in the same periods in which the expenses are incurred. Grants that compensate the Group for the cost of an asset are recognised initially as deferred income and amortised to profit or loss on a straight-line basis over the useful life of the asset by way of recognition in other revenue.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(w) Translation of foreign currencies

Transactions in foreign currencies are translated into the respective functional currencies of group companies at the exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary assets and liabilities that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction. Foreign currency differences are generally recognised in profit or loss.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on acquisition, are translated into Hong Kong dollars at the exchange rates at the reporting date. The income and expenses of foreign operations are translated into Hong Kong dollars at the exchange rates at the dates of the transactions.

Foreign currency differences are recognised in OCI and accumulated in the exchange reserve, except to the extent that the translation difference is allocated to NCI.

When a foreign operation is disposed of in its entirety or partially such that control, significant influence or joint control is lost, the cumulative amount in the exchange reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. On disposal of a subsidiary that includes a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation that have been attributed to the NCI shall be derecognised, but shall not be reclassified to profit or loss. If the Group disposes of part of its interest in a subsidiary but retains control, then the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of an associate or joint venture while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

(x) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the period in which they are incurred.

(y) Related parties

- (a) A person, or a close member of that person's family, is related to the Group if that person:
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or the Group's parent.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

2 MATERIAL ACCOUNTING POLICIES *(continued)*

(y) Related parties *(continued)*

- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly controlled by a person identified in (a).
 - (vii) A person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (viii) The entity, or any member of a Group of which it is a part, provides key management personnel services to the Group or to the Group's parent.

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

(z) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Key sources of estimation uncertainty in the preparation of the financial statements are as follows:

(a) Impairment for trade and other receivables and loans receivables

The Group estimates impairment losses for trade and other receivables by using expected credit loss models. Expected credit loss on these trade and other receivables are estimated based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors and an assessment of both the current and forecast general economic conditions at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the loss allowance of trade and other receivables in the periods in which such estimate has been changed.

For loans receivable, the measurement of impairment losses requires judgment, in particular, the estimation of the amounts and timing of future cash flows and collateral values when determining impairment losses and the assessment of a significant increase in credit risk.

These estimates are driven by a number of factors, changes in which can result in different levels of allowances.

The Group's ECL calculations on loans receivable are outputs of a model with a number of underlying assumptions regarding the choice of variable inputs and their interdependencies. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Group's internal rating grade model, which assigns probabilities of default to the individual grades;
- The Group's criteria for assessing if there has been a significant increase in credit risk and the qualitative assessment;
- Development of ECL models, including the various formulas and the choice of inputs; and
- Determination of associations between the forecast economic conditions and the effect on probabilities of default, losses given default and exposures at default.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

3 ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

(b) Fair value assessment of purchase price allocation for business combinations

Significant judgements and estimates were involved in the fair value assessment of the purchase price allocation for business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies (discounted future cash flow method) and the use of significant assumptions in the valuation (mainly including annual revenue growth rate and discount rates). See note 34 for more details.

(c) Impairment of non-current assets

If circumstances indicate that the carrying amounts of intangible assets and goodwill may not be recoverable, the assets may be considered impaired and are tested for impairment. An impairment loss is recognised when the asset's recoverable amount has declined below its carrying amount. The recoverable amount is the greater of the fair value less costs to sell and value in use. In determining the recoverable amount which requires significant judgements, the Group estimates the future cash flows to be derived from continuing use and ultimate disposal of the asset and applies an appropriate discount rate to these future cash flows.

(d) Impairment of financial guarantee issued

The Group estimates impairment loss for financial guarantee issued by using expected credit loss models. Expected credit loss on financial guarantee issued is estimated based on expected additional interest and penalty to be incurred, expected timing of settlement of the loan and the valuation of the liquidation value of the pledged property at the reporting date.

Where the expectation is different from the original estimate, such difference will impact the loss allowance of financial guarantee issued in the periods in which such estimate has been changed.

(e) Provision for inventories

The Group assesses the carrying amounts of inventories according to their net realisable value. Provision is made when events or changes in circumstances indicate that the carrying amounts may not be realised. The assessment requires the use of judgement and estimates. Where the expectation is different from the original estimates, such difference will impact carrying value of the inventories and write-down on inventories charged to profit or loss in the period in which such estimate has been changed.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING

(a) Revenue

The principal activities of the Group are the provision of basic property management services, value-added services, finance service and other services. Further details regarding the Group's principal activities are disclosed in note 4(b).

(i) Disaggregation of revenue

Disaggregation of revenue from contracts with customers by each significant category for the year ended 31 December 2023 and 2022 recognised in the consolidated statement of profit or loss are as follows:

	2023 RMB'000	2022 RMB'000
Revenue from contracts with customers within the scope of HKFRS 15		
Property management services		
Basic property management services		
– Commercial property	2,172,046	2,166,727
– Public and industrial property	477,422	212,114
– Residential property	571,892	435,952
	3,221,360	2,814,793
Value-added services	679,272	668,710
	3,900,632	3,483,503
Revenue from other sources		
Finance services income	18,868	35,731
Gross rental income from investment properties	7,308	8,162
	26,176	43,893
	3,926,808	3,527,396

For the year ended 31 December 2023, the revenue from Excellence Real Estate Group Co., Ltd. (卓越置業集團有限公司) and its subsidiaries (together, the “**Excellence Group**”) and other related parties that included companies that were owned by or under significant influence of the Ultimate Controlling Shareholder and chairman of the board of the Company, amounting of RMB589,312,000 (2022: RMB636,690,000). The Group has a large number of customers in addition to Excellence Group, but none of them accounted for 10% or more of the Group's revenue during the year.

(ii) Unsatisfied performance obligations

The Group recognises revenue when the services are provided and recognises to which the Group has the rights to invoices and that corresponds directly with the value of performance completed. The Group has elected the practical expedient in paragraph 121 of HKFRS 15 for not to disclose the remaining performance obligations for these types of contracts that had an original expected duration of one year or less or are billed based on performance completed.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting

The Group manages its businesses by divisions, which are organised by a mixture of business lines. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following three reportable segments:

- Property management services: this segment mainly provides basic property management services, system or materials supply services and engineering services to property developers, property owners and tenants, and other value-added services to such customers, including asset services which includes preliminary property consulting services, property leasing and sales agency services, asset-light property operation services and space operation services, and corporate services.
- Finance services: this segment mainly provides micro-lending to small and medium enterprises, individual business proprietors and individuals.
- Other services: this segment mainly provides apartment rental services.

(i) *Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all tangible and intangible assets managed directly by the segments excluding prepaid tax, deferred tax assets and certain non-trade receivables due from related parties not attributable to the individual segments. Segment liabilities include interest-bearing borrowings, contract liabilities, trade and other payables, lease liabilities and other financial liability attributable to the operating activities of the individual segments and managed directly by the segments.

Revenue and expenses are allocated to the reportable segments with reference to revenues generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments. Segment profit includes the Group's share of profit arising from the activities of the Group's associates and joint ventures.

The measure used for reporting segment profit is profit before taxation excluding unallocated head offices and corporate expenses. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning interest income and expense from cash balances and interest-bearing borrowings managed directly by the segments, depreciation and amortisation, impairment loss on trade and other receivables, loans receivable and contract assets in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING (continued)

(b) Segment reporting (continued)

(i) Segment results, assets and liabilities (continued)

Disaggregation of revenue from contracts with customers, revenue from other sources as well as information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below.

	Property management		Finance services		Others		Total	
	services							
	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000	2023 RMB'000	2022 RMB'000
Disaggregated by timing of revenue recognition								
Over time	3,861,062	3,464,042	18,868	35,731	7,308	8,162	3,887,238	3,507,935
Point in time	39,570	19,461	-	-	-	-	39,570	19,461
Reportable segment revenue	3,900,632	3,483,503	18,868	35,731	7,308	8,162	3,926,808	3,527,396
Inter-segment revenue	-	-	-	-	-	-	-	-
Revenue from external customers	3,900,632	3,483,503	18,868	35,731	7,308	8,162	3,926,808	3,527,396
Reportable segment profit/(loss)	440,041	578,991	(1,915)	25,512	14,106	(2,824)	452,232	601,679
Interest income from bank deposits and other financial institutions	33,574	44,722	1,010	234	10	10	34,594	44,966
Finance costs	(1,390)	(622)	(3)	(2,082)	(4,548)	(6,432)	(5,941)	(9,136)
Depreciation and amortisation (impairment losses)/reversals of impairment losses on loans receivable	(71,583)	(60,418)	(352)	(996)	(8,682)	(11,061)	(80,617)	(72,475)
Impairment losses on trade and other receivables	-	-	(13,085)	1,262	-	-	(13,085)	1,262
Impairment losses on trade and other receivables (impairment losses)/reversals of impairment losses on contract assets	(72,919)	(37,753)	-	-	-	(13)	(72,919)	(37,766)
(impairment losses)/reversals of impairment losses on contract assets	(630)	100	-	-	-	-	(630)	100
Impairment loss on financial guarantee issued	(10,062)	(47,771)	-	-	-	-	(10,062)	(47,771)
Impairment loss on goodwill	-	(28,159)	-	-	-	-	-	(28,159)
Reportable segment assets	4,780,308	4,504,499	332,294	336,907	-	112,722	5,112,602	4,954,128
Additions to non-current segment assets during the year	138,250	716,429	-	-	-	73	138,250	716,502
Reportable segment liabilities	1,391,733	1,138,082	2,399	4,523	-	114,553	1,394,132	1,257,158

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

4 REVENUE AND SEGMENT REPORTING *(continued)*

(b) Segment reporting *(continued)*

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2023 RMB'000	2022 RMB'000
Consolidated revenue (Note 4(a))	3,926,808	3,527,396
Profit		
Reportable segment profit	452,232	601,679
Net foreign exchange (loss)/gain	(4,586)	6,495
Unallocated head offices and corporate expenses	(4,835)	(8,146)
Consolidated profit before taxation	442,811	600,028
Assets		
Reportable segment assets	5,112,602	4,954,128
Prepaid tax	14,529	5,214
Deferred tax assets	71,083	52,634
Unallocated head office and corporate assets	176	156
Consolidated total assets	5,198,390	5,012,132
Liabilities		
Reportable segment liabilities	1,394,132	1,257,158
Current taxation	72,016	78,389
Deferred tax liabilities	78,971	86,810
Unallocated head office and corporate liabilities	575	476
Consolidated total liabilities	1,545,694	1,422,833

(iii) Geographic information

The major operating entities of the Group are domiciled in Chinese Mainland. Accordingly, majority of the Group's revenues were derived in Chinese Mainland during year ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, most of the non-current assets of the Group were located in Chinese Mainland.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

5 OTHER REVENUE AND NET GAIN

(a) Other revenue

	2023	2022
	RMB'000	RMB'000
Interest income from bank deposits and other financial institutions	34,594	44,990
Government grants (<i>Note</i>)	17,691	20,944
Others	473	802
	52,758	66,736

Note: In 2023 and 2022, the government grants received by the Group are mainly related to subsidies for staff retention and taxation benefit of 10% additional deduction on value added tax in the industries of living services according to current policy in Chinese Mainland.

(b) Other net gain

	2023	2022
	RMB'000	RMB'000
Net gain on disposals of investment properties (<i>Note</i>)	15,379	–
Fair value loss on financial assets measured at FVPL	(704)	–
Fair value gain on financial liabilities measured at FVPL	2,093	–
Net foreign exchange (loss)/gain	(4,586)	6,495
Gain on previously held interest in a joint venture upon taken control	–	4,499
Net gain on investment in wealth management products	331	377
Net loss on disposals of property, plant and equipment	(195)	(3)
Others	1,426	(218)
	13,744	11,150

Note: The Group leased certain service apartments located in Shenzhen, Chinese Mainland, from property owners and subleased to tenants through operating leases to earn rental income. The right-of-use assets of the leases were determined to meet the definition of investment property. During the year, the Group transfer the leases to independent third parties with no consideration required resulting in a gain on disposal of RMB15,379,000.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

6 IMPAIRMENT LOSSES ON RECEIVABLES, CONTRACT ASSETS AND FINANCIAL GUARANTEE ISSUED

	2023 RMB'000	2022 RMB'000
Impairment losses on trade and other receivables	(72,919)	(37,766)
Impairment loss on financial guarantee issued (Note 29)	(10,062)	(47,771)
(Impairment losses)/reversals of impairment losses on loans receivable	(13,085)	1,262
(Impairment losses)/reversals of impairment losses on contract assets	(630)	100
	(96,696)	(84,175)

Note: Further details on the Group's credit policy and credit risk arising from trade and other receivables, financial guarantee issued, loans receivable and contract assets are set out in note 35(a).

7 PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

(a) Finance costs

	2023 RMB'000	2022 RMB'000
Interests on bank loans and other borrowings (Note 25(c))	695	2,075
Interests on lease liabilities (Note 25(c))	5,246	7,061
	5,941	9,136

(b) Staff costs

	2023 RMB'000	2022 RMB'000
Salaries, wages and other benefits	1,659,651	1,447,550
Pre-IPO equity-settled share-based payment (Note 31)	(16,284)	(6,514)
Contributions to defined contribution scheme (Note)	88,308	74,573
	1,731,675	1,515,609
Included in:		
– Cost of sales	1,534,089	1,379,420
– Selling and marketing expenses	25,441	18,687
– Administrative expenses	172,145	117,502
	1,731,675	1,515,609

Note: Employees of the Group's Chinese Mainland subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal governments. The Group's Chinese Mainland subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

7 PROFIT BEFORE TAXATION (continued)

(c) Other items

	Note	2023 RMB'000	2022 RMB'000
Depreciation and amortisation charges			
– Owned property, plant and equipment	13	11,098	12,487
– Right-of-use assets in property, plant and equipment	13	11,827	10,534
– Leasehold improvements for investment properties	12	650	867
– Right-of-use assets in investment properties	12	7,931	10,119
– Intangible assets	15	49,111	38,468
		80,617	72,475
Impairment loss on goodwill	16	–	28,159
Variable lease payments not included in the measurement of lease liabilities	14	72,476	78,768
Subcontracting costs		546,267	393,017
Auditor's remuneration			
– Audit services		3,000	3,000
– Other services		2,790	3,225
		5,790	6,225
Rentals receivable from investment properties		(7,308)	(8,162)
Less: direct outgoings from investment properties		8,581	10,986
		1,273	2,824

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(a) Taxation in the consolidated statement of profit or loss:

	Note	2023 RMB'000	2022 RMB'000
Current tax			
Provision for the year	32(a)	147,424	203,866
Deferred tax			
Origination and reversal of temporary differences	32(b)	(27,960)	(30,293)
		119,464	173,573

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

8 INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS *(continued)*

(b) Reconciliation between tax expense and accounting profit at applicable tax rates:

	2023 RMB'000	2022 RMB'000
Profit before taxation	<u>442,811</u>	<u>600,028</u>
Notional tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned	109,820	147,459
Tax effect of non-deductible expenses	2,378	9,868
Income not subject to tax	(3,143)	(1,659)
Withholding tax on dividend	10,329	17,957
Tax effect of tax losses utilised or not recognised	80	(52)
Actual tax expense	<u>119,464</u>	<u>173,573</u>

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“**BVI**”), the Group is not subject to any income tax in the Cayman Islands and the BVI during the year.

No provision for Hong Kong Profits Tax was made as the Group did not earn any income subject to Hong Kong Profits Tax during the year.

The Group’s major Chinese Mainland subsidiaries are subject to Corporate Income Tax (“**CIT**”) at a statutory rate of 25% on their respective taxable income during the year. The different tax rates mainly come from certain Chinese Mainland companies, which are regarded as small profit enterprise or registered and operated in western region of Chinese Mainland, are entitled to the PRC income tax at a preferential rate of 15% for the year ended 31 December 2023.

Withholding taxes are levied on dividend distributions arising from profit of the Chinese Mainland subsidiaries within the Group earned after 1 January 2008 at 5%. The PRC CIT Law and its implementation rules impose a withholding tax at 10%, unless reduced by a tax treaty or arrangement, for dividends distributed by Chinese Mainland resident enterprises to their non-Chinese Mainland-resident corporate investors for profits earned since 1 January 2008. Under the Sino-Hong Kong Double Tax Arrangement, a qualified Hong Kong tax resident is entitled to a reduced withholding tax rate of 5% if the Hong Kong tax resident is the “beneficial owner” and holds 25% or more of the equity interest of the Chinese Mainland enterprise directly. Since the Group could control the quantum and timing of distribution of profits of the Group’s subsidiaries in Chinese Mainland, deferred tax liabilities are only provided to the extent that such profits are expected to be distributed in the foreseeable future.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS

Directors' emoluments disclosed pursuant to section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation are as follows:

	2023						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Li Xiaoping (<i>Chairman</i>)	117	-	-	-	117	(11,441)	(11,324)
Mr. Yang Zhidong (<i>Chief Executive Officer, appointed on 15 August 2023</i>)	-	1,820	759	26	2,605	-	2,605
Non-executive directors							
Ms. Guo Ying (<i>redesignated from executive director to non-executive director on 15 August 2023</i>)	117	1,072	524	25	1,738	(847)	891
Mr. Wang Yinhu	200	-	-	-	200	-	200
Mr. Wang Dou (<i>resigned on 15 August 2023</i>)	133	-	-	-	133	-	133
Independent non-executive directors							
Mr. Huang Mingxiang	200	-	-	-	200	-	200
Mr. Kam Chi Sing	200	-	-	-	200	-	200
Ms. Liu Xiaolan	200	-	-	-	200	-	200
	1,167	2,892	1,283	51	5,393	(12,288)	(6,895)
	2022						
	Directors' fees	Salaries, allowances and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Sub-Total	Share-based payments (note)	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive directors							
Mr. Li Xiaoping (<i>Chairman</i>)	-	-	-	-	-	(3,712)	(3,712)
Ms. Guo Ying (<i>Chief Executive Officer</i>)	-	1,053	1,335	25	2,413	(275)	2,138
Non-executive directors							
Mr. Wang Dou	200	-	-	-	200	-	200
Mr. Wang Yinhu	200	-	-	-	200	-	200
Independent non-executive directors							
Mr. Huang Mingxiang	200	-	-	-	200	-	200
Mr. Kam Chi Sing	200	-	-	-	200	-	200
Ms. Liu Xiaolan	200	-	-	-	200	-	200
	1,000	1,053	1,335	25	3,413	(3,987)	(574)

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

9 DIRECTORS' EMOLUMENTS *(continued)*

Note: These represent the estimated value of share options granted to the directors under the Company's share option scheme. The value of these share options is measured according to the Group's accounting policies for share-based payment transactions as set out in note 2(s)(ii). The amount this year includes reversal of expense as a result of forfeiture of options before vesting, as certain conditions set out in the share option scheme could not be met.

The details of these benefits in kind, including the principal terms and number of options granted, are disclosed under the paragraph "Share option scheme" in the directors' report and note 31.

10 INDIVIDUALS WITH HIGHEST EMOLUMENTS

Of the five individuals with the highest emoluments, 2 (2022: 1) is director whose emolument is disclosed in note 9. The aggregate of the emoluments in respect of the other 3 (2022: 4) individuals are as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowance and benefits-in-kind	4,492	4,951
Discretionary bonuses	783	1,088
Retirement scheme contributions	58	201
Pre-IPO equity-settled share-based payment	-	(102)
	5,333	6,138

The emoluments of the 3 (2022: 4) individuals with the highest emoluments are within the following bands:

	Number of employees	
	2023	2022
HKD1,000,001 – HKD1,500,000	1	2
HKD1,500,001 – HKD2,000,000	1	-
HKD2,000,001 – HKD2,500,000	-	1
HKD2,500,001 – HKD3,000,000	1	1

No emoluments were paid by the Group to any of the 3 (2022: 4) highest paid individuals above as an inducement to join or upon joining the Group or as compensation for loss of office for the year ended 31 December 2023 (2022: nil).

11 EARNINGS PER SHARE

(a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to equity shareholders of the Company of RMB302,688,000 (2022: RMB403,494,000) and the weighted average of 1,220,348,000 ordinary shares (2022: 1,220,348,000 ordinary shares) in issue during the year.

(b) Diluted earnings per share

For the year ended 31 December 2023 and 31 December 2022, the effect of conversion of share option scheme of the Group was anti-dilutive.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

12 INVESTMENT PROPERTIES

	Leased properties RMB'000	Leasehold improvements RMB'000	Total RMB'000
Cost:			
At 1 January 2022 and 1 January 2023	133,490	12,539	146,029
Disposals	(133,490)	(12,539)	(146,029)
At 31 December 2023	-	-	-
Less: accumulated depreciation:			
At 1 January 2022	30,887	2,654	33,541
Charge for the year	10,119	867	10,986
At 31 December 2022 and 1 January 2023	41,006	3,521	44,527
Charge for the year	7,931	650	8,581
Written back on disposals	(48,937)	(4,171)	(53,108)
At 31 December 2023	-	-	-
Net book value:			
At 31 December 2023	-	-	-
At 31 December 2022	92,484	9,018	101,502

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

13 PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement and others	Office equipment and furniture	Machinery equipment	Motor vehicles	Construction in progress	Sub-total	Right-of- use assets - other leased properties	Total
Cost:								
At 1 January 2022	56,707	21,890	4,424	1,228	254	84,503	33,650	118,153
Additions	4,553	9,730	1,827	403	46	16,559	8,450	25,009
Transfer	300	-	-	-	(300)	-	-	-
Acquisitions of subsidiaries	519	6,644	799	2,834	-	10,796	3,262	14,058
Disposals	-	(1,645)	(229)	(292)	-	(2,166)	(11,246)	(13,412)
At 31 December 2022	62,079	36,619	6,821	4,173	-	109,692	34,116	143,808
Additions	3,102	3,061	2,089	405	-	8,657	19,880	28,537
Transfer to inventories	(8,170)	-	-	-	-	(8,170)	-	(8,170)
Acquisitions of subsidiaries (Note 34)	-	435	2,807	172	-	3,414	-	3,414
Disposals	-	(7,456)	(688)	(371)	-	(8,515)	(9,479)	(17,994)
At 31 December 2023	57,011	32,659	11,029	4,379	-	105,078	44,517	149,595
Less: accumulated depreciation:								
At 1 January 2022	29,480	15,520	1,797	504	-	47,301	23,311	70,612
Charge for the year	6,763	4,599	809	316	-	12,487	10,534	23,021
Acquisitions of subsidiaries	342	5,626	93	2,447	-	8,508	610	9,118
Written back on disposals	-	(1,317)	(185)	(231)	-	(1,733)	(10,956)	(12,689)
At 31 December 2022	36,585	24,428	2,514	3,036	-	66,563	23,499	90,062
Charge for the year	5,613	4,132	1,052	301	-	11,098	11,827	22,925
Transfer to inventories	(949)	-	-	-	-	(949)	-	(949)
Acquisitions of subsidiaries (Note 34)	-	264	2,115	44	-	2,423	-	2,423
Written back on disposals	-	(6,796)	(499)	(285)	-	(7,580)	(9,415)	(16,995)
At 31 December 2023	41,249	22,028	5,182	3,096	-	71,555	25,911	97,466
Net book value:								
At 31 December 2023	15,762	10,631	5,847	1,283	-	33,523	18,606	52,129
At 31 December 2022	25,494	12,191	4,307	1,137	-	43,129	10,617	53,746

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

14 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying assets is as follows:

	Note	2023 RMB'000	2022 RMB'000
Properties leased as investment properties, carried at amortised cost	12	–	92,484
Properties leased for own use, carried at amortised cost	13	18,606	10,617
		18,606	103,101

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	Notes	2023 RMB'000	2022 RMB'000
Depreciation charge of right-of-use assets by class of underlying assets:			
– Investment properties, carried at depreciated cost		7,931	10,119
– Properties leased for own use, carried at depreciated cost	(a)	11,827	10,534
		19,758	20,653
Interest on lease liabilities	7(a)	5,246	7,061
Expense relating to short-term leases		57,975	32,189
Variable lease payments not including in the measurement of lease liabilities	(b)/7(c)	72,476	78,768

Notes:

- (a) The Group has obtained the rights to use these properties as its office and dormitory through tenancy agreements. The leases typically run for an initial period of 2 to 6 years.
- (b) During the year ended 31 December 2023, certain property leases contain variable lease payment terms that are linked to revenue generated from the operation of these properties, and majority of lease payments are on the basis of variable lease payment terms with percentages ranging from 30% to 70% (2022: 30% to 80%) of revenue generated. Variable lease payment terms are used for a variety of reasons, including minimising the fixed costs base. Variable lease payments that depend on revenue are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

For the year ended 31 December 2023, a 5% increase in revenue generated from the operation in these properties in the Group with such variable lease contracts would increase total lease payments by approximately RMB3,624,000 (2022: RMB3,938,000).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

15 INTANGIBLE ASSETS

	Uncompleted property management contracts	Customer relationships	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Cost:				
At 1 January 2022	41,760	–	12,899	54,659
Additions	–	–	1,815	1,815
Acquisitions of subsidiaries	14,675	355,238	214	370,127
At 31 December 2022 and 1 January 2023	56,435	355,238	14,928	426,601
Additions	–	–	5,922	5,922
Acquisition of subsidiaries (Note 34)	10,679	–	–	10,679
Disposals	–	–	(110)	(110)
At 31 December 2023	67,114	355,238	20,740	443,092
Less: accumulated amortisation:				
At 1 January 2022	14,654	–	5,944	20,598
Charge for the year	13,238	22,726	2,504	38,468
Acquisitions of subsidiaries	–	–	77	77
At 31 December 2022 and 1 January 2023	27,892	22,726	8,525	59,143
Charge for the year	16,798	29,765	2,548	49,111
Written back on disposals	–	–	(74)	(74)
At 31 December 2023	44,690	52,491	10,999	108,180
Net book value:				
At 31 December 2023	22,424	302,747	9,741	334,912
At 31 December 2022	28,543	332,512	6,403	367,458

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 GOODWILL

	RMB'000
Cost:	
At 1 January 2022	41,438
Acquisitions of subsidiaries	212,008
At 31 December 2022 and 1 January 2023	253,446
Acquisition of subsidiaries (Note 34)	18,228
At 31 December 2023	271,674
Accumulated impairment losses:	
At 1 January 2022	–
Impairment loss recognised	(28,159)
At 31 December 2022 and 31 December 2023	(28,159)
Carrying value:	
31 December 2023	243,515
31 December 2022	225,287

To expand the scale of operations in target cities, the Group acquired Shanghai Yaozhan Enterprise Management Co., Ltd. (上海瑤瞻企業管理有限公司, “**Yaozhan Management**”) and its subsidiaries (together, the “**Yaozhan Management Group**”) from independent third parties, which are engaged in providing public and industrial property management service in Chinese Mainland.

Goodwill acquired in business combinations is allocated, at acquisitions, to the CGUs:

- Groups of CGUs being commercial property management projects in Beijing arising from the acquisition of Beijing Global (北京環球, “**Beijing Global and relevant projects**”)
- Shenzhen Xingyi Investment Co., Ltd. (深圳市興益投資有限公司, “**Shenzhen Xingyi**”) and its subsidiary (together, the “**Shenzhen Xingyi Group**”)
- Wuhan Huanmao Property Management Co., Ltd. (武漢環貿物業管理有限公司, “**Wuhan Huanmao**”)
- Henan Huangjin Property Management Co., Ltd. (河南黃錦物業管理有限公司, “**Henan Huangjin**”)
- Yaozhan Management Group

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

16 GOODWILL (continued)

The carrying amount of goodwill allocated to each of the CGUs as at 31 December 2023 is as below:

	2023 RMB'000	2022 RMB'000
Beijing Global and relevant projects	73,726	73,726
Shenzhen Xingyi Group	72,632	72,632
Wuhan Huanmao	41,438	41,438
Henan Huangjin	37,491	37,491
Yaozhan Management Group	18,228	–
	243,515	225,287

Impairment testing for CGUs containing goodwill

Management performed impairment testing on goodwill as at 31 December 2023. The recoverable amounts of CGUs of Beijing Global and relevant projects, Shenzhen Xingyi Group, Wuhan Huanmao, Henan Huangjin and Yaozhan Management Group are determined based on the value in use (“VIU”) calculation by the directors of the Company with the assistance of an independent valuer, Jones Lang LaSalle Corporate Appraisal and Advisory Limited (“JLL”). Their recoverable amounts are based on certain similar key assumptions. The calculation uses pre-tax cashflow projections based on financial budgets approved by management covering a five to seven years period. Cash flow beyond the projection period is extrapolated using the estimated terminal growth rates below. The growth rates do not exceed the long-term average growth rate for the related industry in which the CGUs operates. The discount rates used are pre-tax and reflect specific risks relating to the relevant industry and the CGU itself and macro-environment of the relevant region.

The key assumptions are set out as follows:

As at 31 December 2023

	Beijing Global and relevant projects	Shenzhen Xingyi Group	Wuhan Huanmao	Henan Huangjin	Yaozhan Management Group
Annual growth rate of revenue	–3.3% – 2.8%	3.0%	–18.7% – 3.5%	2.0% – 5.0%	2.0% – 15.0%
Gross margin (% of revenue)	49.2% – 51.9%	52.3%	33.3% – 37.1%	12.1%	24.7% – 25.0%
Long-term growth rate	2.5%	2.5%	2.0%	2.0%	2.0%
Pre-tax discount rate	19.5%	17.2%	19.9%	20.5%	21.2%

As at 31 December 2022

	Beijing Global and relevant projects	Shenzhen Xingyi Group	Wuhan Huanmao	Henan Huangjin
Annual growth rate of revenue	4.2%	3.0%	1.2% – 2.3%	2.0% – 5.1%
Gross margin (% of revenue)	50.1%	48.0%	44.2% – 46.8%	12.6%
Long-term growth rate	3.0%	3.0%	2.0%	2.0%
Pre-tax discount rate	19.6%	17.1%	24.0%	20.8%

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated.

Name of company	Place of incorporation and business	Particulars of issued/paid in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Excellence Commercial Property Management Group Limited	BVI	HKD77,765,759	100%	100%	-	Investment holding
Excellence (Hong Kong) Commercial Property Services Co., Limited	Hong Kong ("HK")	HKD77,775,759	100%	-	100%	Investment holding
Shenzhen Dongrunze Investment Consulting Co., Ltd. 深圳東潤澤投資顧問有限公司 (a)(b)(c)	Chinese Mainland	HKD361,220,000	100%	-	100%	Investment holding
Shenzhen Yuanxi Investment Consulting Co., Ltd. ("Yuanxi Investment") 深圳市元熙投資諮詢有限公司 (a)(c)	Chinese Mainland	RMB327,710,000	100%	-	100%	Investment holding
Shenzhen Excellence Property Management Co., Ltd. ("Excellence Property Management") 深圳市卓越物業管理有限責任公司 (a)(c)	Chinese Mainland	RMB404,710,000	100%	-	100%	Property management services
Shenzhen Shenghengda Construction Technology Group Co., Ltd. ("Shenghengda Construction") 深圳市盛恒達建設科技集團有限公司 (a)(c)	Chinese Mainland	RMB50,000,000	100%	-	100%	Electrical and mechanical installation engineering; Construction of intelligent building engineering

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

17 INVESTMENTS IN SUBSIDIARIES (continued)

The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group. The class of shares held is ordinary unless otherwise stated. (continued)

Name of company	Place of incorporation and business	Particulars of issued/paid in capital	Proportion of ownership interest			Principal activities
			Group's effective interest	Held by the Company	Held by a subsidiary	
Shenzhen Zhuopin Business Service Co., Ltd. 深圳市卓品商務服務有限公司 (a)(c)	Chinese Mainland	RMB20,000,000	100%	-	100%	Air ticket booking hotel booking services; hotel management consulting
Shenzhen Zhuotou Micro-lending Co., Ltd. 深圳市卓投小額貸款有限責任公司 (a)(c)	Chinese Mainland	RMB300,000,000	100%	-	100%	Financial services
Shenzhen Excellence Dabaihui Property Management Co., Ltd. 深圳市卓越大百匯物業管理有限公司 (a)(c)	Chinese Mainland	RMB5,000,000	51%	-	51%	Property management services
Henan Huangjin Property Management Co., Ltd. 河南黃錦物業管理有限公司 (a)(c)	Chinese Mainland	RMB5,066,000	51%	-	51%	Property management services
Shenzhen Zhuoyuan Decoration Materials Co Limited 深圳市卓源裝飾裝修材料有限公司 (a)(c)	Chinese Mainland	RMB10,000,000	100%	-	100%	Materials Supply Services
Shanghai Yaozhan Hospital Management Group Co., Ltd. 上海瑤瞻醫院管理集團有限公司 (a)(c)	Chinese Mainland	RMB20,300,000	26%	-	51%	Property management services

Notes:

- (a) The official names of these entities are in Chinese. The English names are for identification purpose only.
- (b) The entity was established in Chinese Mainland as a wholly-foreign-owned enterprise.
- (c) The entities are registered under the PRC law limited liability companies.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

18 INTERESTS IN ASSOCIATES

The following list contains associates of the Group, which are unlisted corporate entities, whose quoted market price is not available:

Name of associate	Place of incorporation and business	Registered capital	Effective interest held by the Group		Principal activities
			As at 31 December 2023	As at 31 December 2022	
Suzhou Industrial Park Comprehensive Insurance Property Management Limited 蘇州工業園區綜保物業管理有限公司 (a)	Chinese Mainland	RMB10,000,000	30%	30%	Property management services
Shenzhen Puerhui Tea Industry Development Co., Ltd. 深圳市普而惠茶業發展股份有限公司 (a)	Chinese Mainland	RMB26,250,000	25%	25%	Trading
Guizhou Zaixing Business Service Co., Ltd. ("Guizhou Zaixing") 貴州在行商務服務有限公司 (a)(b)	Chinese Mainland	RMB2,941,176	32%	–	Property management services
Chongqing Frequent Surprise Business Information Consulting Co., Ltd. ("Chongqing Frequent Surprise") 重慶頻頻出奇商務資訊諮詢有限公司 (a)(b)	Chinese Mainland	RMB2,941,176	32%	–	Property management services

Notes:

- (a) These Chinese Mainland entities are limited liability companies. The English translation of these companies' name is for reference only. The official name of these companies is in Chinese.
- (b) During the year, the Group acquired 32% equity interest in both Guizhou Zaixing and Chongqing Frequent Surprise at total consideration of RMB66,210,000 through capital injections. The Group determined that it has significant influence over Guizhou Zaixing and Chongqing Frequent Surprise and these two companies are treated as associates of the Group. In accordance with the acquisition agreements, the Group has the rights to sell the equity interests held by the Group to the vendors at fixed price ("Put Options") and entitled to minimum profits payments guaranteed by the acquired associates or compensated by the vendor in cash ("Profit Guarantees") in the three-year performance guarantee period. At the respective acquisition dates, the Group assessed the total fair value of Put Options and Profit Guarantees were not significant.

Aggregate information of associates that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amounts of individually immaterial associates	91,358	13,053
Amounts of the Group's share of the associates'		
Profit for the year	8,075	1,524
Other comprehensive income	–	–
Total comprehensive income	8,075	1,524

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

19 INTERESTS IN JOINT VENTURES

Details of the Group's interests in joint ventures, which is accounted for using the equity method in the consolidated financial statements, are as follows:

Name of joint venture	Place of incorporation and business	Registered capital	Effective interest held by the Group		Principal activity
			As at 31 December 2023	As at 31 December 2022	
Qingdao Huiyun Industry Service Co., Ltd. ("Qingdao Huiyun") 青島慧雲產業服務有限公司 (a)(b)	Chinese Mainland	RMB3,000,000	43%	43%	Property management services
Jinan Likong Excellent Property Management Co., Ltd. ("Jinan Likong") 濟南麗控卓越物業管理有限公司 (a)(b)	Chinese Mainland	RMB3,000,000	58%	58%	Property management services

Notes:

- (a) These Chinese Mainland entities are limited liability companies. The English translation of these companies' name is for reference only. The official names of these companies are in Chinese.
- (b) According to the Articles of Association, majority of board resolutions of Qingdao Huiyun and Jinan Likong requires unanimous consent from board representatives of all investors. Qingdao Huiyun and Jinan Likong are therefore classified as joint ventures of the Group.

Aggregate information of joint ventures that are not individually material:

	2023 RMB'000	2022 RMB'000
Aggregate carrying amounts of individually immaterial joint ventures	11,800	8,377
Aggregate amounts of the Group's share of the joint ventures'		
Profit for the year	2,403	822
Other comprehensive income	-	-
Total comprehensive income	2,403	822

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

20 FINANCIAL ASSETS AND LIABILITIES MEASURED AT FAIR VALUE THROUGH PROFIT OR LOSS

	Notes	2023 RMB'000	2022 RMB'000
Financial assets measured at FVPL			
Unlisted equity investment	(a)	120,000	120,000
Option	(b)/34(c)	1,699	–
		121,699	120,000
Financial liabilities measured at FVPL			
Contingent consideration	(b)/34(e)	5,091	–

Notes:

- (a) Unlisted equity investment represents 15% equity interest of an unlisted company which engaged in carpark sales business acquired in 2022. The directors consider that the Group neither has significant influence nor control over the investment and designated the investment as financial asset measured at fair value through profit or loss.
- (b) Option and contingent consideration are related to the business combination as set out in note 34.

21 INVENTORIES

	Notes	2023 RMB'000	2022 RMB'000
Properties held for sale	(a)	33,006	5,871
Customised software	(b)	21,073	23,013
Others	(c)	42,683	24,030
		96,762	52,914

Notes:

- (a) Properties held for sale represent right-of-use assets relating to car parking places for selling purpose.
- (b) The Group provides customised software as part of the intelligent community solution to customers and the inventory comprises related materials, supplies, labour cost and other direct costs incurred during the production progress.
- (c) Others mainly represent the uninstalled equipment during rendering of equipment installation service.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Current			
Trade and bills receivables	(a)		
– Related parties		554,498	400,361
– Third parties		807,333	616,923
		1,361,831	1,017,284
Less: loss allowance		(150,398)	(81,575)
		1,211,433	935,709
Other receivables			
– Related parties		13,125	14,953
– Third parties	(b)	146,885	220,555
		160,010	235,508
Less: loss allowance		(6,341)	(2,304)
		153,669	233,204
Financial assets measured at amortised cost		1,365,102	1,168,913
Deposits and prepayments		220,924	145,241
		1,586,026	1,314,154

Notes:

- (a) Trade receivables are primarily related to revenue recognised from the provision of basic property management services and value-added services.
- (b) As at 31 December 2023, other receivables included unsettled consideration receivable of RMB75,000,000 (2022: RMB175,000,000) in respect of disposal of Shenzhen Excellence Operation Management Co., Ltd. (深圳市卓越運營管理有限公司, "Shenzhen Excellence Operation") and its subsidiaries in 2021.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

22 TRADE AND OTHER RECEIVABLES *(continued)*

Ageing analysis

As at 31 December 2023, the ageing analysis of trade and bills receivables (net of loss allowance) based on the date of revenue recognition and net of loss allowance, is as follows:

	2023	2022
	RMB'000	RMB'000
Within 6 months	862,258	750,362
6 months to 1 year	205,793	150,556
1 to 2 years	135,611	31,060
2 to 3 years	7,771	3,731
	1,211,433	935,709

Further details on the Group's credit policy and credit risk arising from trade and other receivables are set out in note 35(a).

Impairment losses in respect of trade and bills receivables are recorded using an allowance account unless the Group is satisfied that recovery of the amount is remote, in which case the impairment loss is written off against trade receivables directly (see note 2(l)(i)).

23 LOANS RECEIVABLE

	2023	2022
	RMB'000	RMB'000
Unguaranteed and unsecured	323,200	10,000
Unguaranteed and secured	10,430	23,859
Guaranteed and secured	15,000	51,600
Gross loans receivable	348,630	85,459
Less: loss allowance	(30,723)	(17,638)
	317,907	67,821

Notes:

- (a) As of 31 December 2023, loans provided by the Group to third parties from micro-lending business are interest-bearing at rates ranging from 7.0% – 24.0% (2022: 7.2% – 24.0%) per annum, and recoverable within one year.
- (b) Credit risk arising from the loans receivable are elaborated in note 35(a).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

23 LOANS RECEIVABLE *(continued)*

As at 31 December 2023, the aging analysis of loans receivable based on due date and credit quality (note 35(a)) is set out below:

	As at 31 December 2023			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	313,200	-	-	313,200
Overdue over 3 months but within 6 months	-	-	10,000	10,000
Overdue over 6 months but within one year	-	-	1,880	1,880
Overdue over one year	-	-	23,550	23,550
Subtotal	313,200	-	35,430	348,630
Less: loss allowance	(13,094)	-	(17,629)	(30,723)
Total	300,106	-	17,801	317,907

	As at 31 December 2022			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Total RMB'000
Current (not past due)	28,559	-	-	28,559
Overdue over 3 months but within 6 months	-	-	25,750	25,750
Overdue over 6 months but within one year	-	-	17,000	17,000
Overdue over one year	-	-	14,150	14,150
Subtotal	28,559	-	56,900	85,459
Less: loss allowance	(568)	-	(17,070)	(17,638)
Total	27,991	-	39,830	67,821

Note: As at 31 December 2023, loans receivable classified at Stage 3 of RMB15,000,000 (2022: RMB41,800,000) were guaranteed and secured by properties held by customers, loans receivable of RMB10,430,000 (2022: RMB15,100,000) classified at Stage 3 were unguaranteed and secured by properties held by customers and loans receivable of RMB10,000,000 (2022: Nil) classified at Stage 3 were unguaranteed and unsecured by properties held by customers.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

24 RESTRICTED DEPOSITS

	Note	2023 RMB'000	2022 RMB'000
Cash collected on behalf of the property owners' associations (a)	28	26,678	18,505
Housing maintenance funds received (b)	28	18,004	14,079
Other restricted deposits (c)		21,843	24,631
		66,525	57,215

Notes:

- (a) The Group collects cash on behalf of property owners' associations in its property services business. Since property owners' associations often face difficulties in opening their own bank accounts, the Group opens and manages these bank accounts on behalf of the property owners' associations.
- (b) Housing maintenance funds received mainly represent cash deposits of housing maintenance funds that were owned by property owners but were deposited in bank accounts in the name of the Group.
- (c) Other restricted deposits mainly represent the amounts collected on behalf of the customers in Group's property management service business and guaranteed deposits in respect of tendering of property management projects.

25 CASH AND CASH EQUIVALENTS

(a) Cash and cash equivalents comprise:

	2023 RMB'000	2022 RMB'000
Cash in hand	913	1,364
Cash at banks and other financial institutions (Note)	2,155,790	2,563,064
	2,156,703	2,564,428

Note: As at 31 December 2023, cash and cash equivalents situated in Chinese Mainland amounted to RMB2,094,993,000 (2022: RMB2,508,565,000). Remittance of funds out of the Chinese Mainland is subject to relevant rules and regulations of foreign exchange control.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS *(continued)*

(b) Reconciliation of profit before taxation to cash (used in)/generated from operations:

	Note	2023 RMB'000	2022 RMB'000
Profit before taxation		442,811	600,028
Adjustments for:			
Interest income from bank deposits and other financial institutions	5(a)	(34,594)	(44,990)
Depreciation and amortisation	7(c)	80,617	72,475
Share of profits less losses of associates	18	(8,075)	(1,524)
Share of profits less losses of joint ventures	19	(2,403)	(822)
Finance costs	7(a)	5,941	9,136
Fair value loss on financial assets measured at FVPL	5(b)	704	–
Fair value gain on financial liabilities measured at FVPL	5(b)	(2,093)	–
Gain on previously held interest in a joint venture upon taken control	5(b)	–	(4,499)
Net gain on investment in wealth management products	5(b)	(331)	(377)
Net loss on disposal of property, plant and equipment	5(b)	195	3
Net foreign exchange loss/(gain)	5(b)	4,586	(6,495)
Net gain on disposals of investment properties	5(b)	(15,379)	–
Impairment losses on trade and other receivables	6	72,919	37,766
Impairment losses/(reversals of impairment losses) on loans receivable	6	13,085	(1,262)
Impairment losses/(reversals of impairment losses) on contract assets	6	630	(100)
Impairment loss on financial guarantee issued	6	10,062	47,771
Impairment loss on goodwill	16	–	28,159
Equity-settled share-based payment	31	(16,284)	(6,514)
Changes in working capital:			
(Increase)/decrease in loans receivable		(263,171)	249,455
Increase in trade and other receivables		(394,316)	(475,158)
Increase in inventories		(36,627)	(48,028)
(Increase)/decrease in contract assets		(25,743)	7,455
Increase/(decrease) in contract liabilities		11,198	(59,479)
Increase in trade and other payables		143,484	32,120
Increase in restricted deposits		(9,310)	(12,530)
Cash (used in)/generated from operations		(22,094)	422,590

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS (continued)

(c) Reconciliation of liabilities arising from financing activities:

	Bank loans and other borrowing	Lease liabilities	Interest payable	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2022	75,000	131,747	196	206,943
Changes from financing cash flows:				
Repayments of bank and other borrowing	(75,000)	-	-	(75,000)
Capital element of lease rentals paid	-	(17,738)	-	(17,738)
Interest element of lease rentals paid	-	(7,061)	-	(7,061)
Interest paid	-	-	(2,271)	(2,271)
Total changes from financing cash flows	(75,000)	(24,799)	(2,271)	(102,070)
Other changes:				
Interest expense (Note 7(a))	-	7,061	2,075	9,136
Increase in lease liabilities from entering into new leases during the year	-	8,450	-	8,450
Disposals	-	(180)	-	(180)
Acquisitions of subsidiaries	-	2,651	-	2,651
Total other changes	-	17,982	2,075	20,057
At 31 December 2022 and 1 January 2023	-	124,930	-	124,930
Changes from financing cash flows:				
Proceed from bank loans and other borrowings	22,000	-	-	22,000
Repayments of bank loans and other borrowing	(14,000)	-	-	(14,000)
Capital element of lease rentals paid	-	(17,645)	-	(17,645)
Interest element of lease rentals paid	-	(5,246)	-	(5,246)
Interest paid	-	-	(695)	(695)
Total changes from financing cash flows	8,000	(22,891)	(695)	(15,586)
Other changes:				
Interest expense (Note 7(a))	-	5,246	695	5,941
Increase in lease liabilities from entering into new leases during the year	-	19,880	-	19,880
Disposals	-	(108,478)	-	(108,478)
Acquisitions of subsidiaries (Note 34)	14,000	-	-	14,000
Total other changes	14,000	(83,352)	695	(68,657)
At 31 December 2023	22,000	18,687	-	40,687

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

25 CASH AND CASH EQUIVALENTS *(continued)*

(d) Total cash outflow for leases

Amounts included in the consolidated statement of cash flows for leases comprise the following:

	2023	2022
	RMB'000	RMB'000
Within operating cash flows	143,129	101,233
Within financing cash flows	22,891	24,799
	166,020	126,032

These amounts relate to the following:

	2023	2022
	RMB'000	RMB'000
Lease rentals paid	166,020	126,032

26 BANK LOANS AND OTHER BORROWINGS

	2023	2022
	RMB'000	RMB'000
Bank loans		
– Guaranteed and secured	10,000	–
– Guaranteed and unsecured	10,000	–
– Unsecured and unguaranteed	2,000	–
	22,000	–

Note: As at 31 December 2023, bank loans with a principal amount of RMB22,000,000 were interest-bearing at rates ranging from 3.80% – 4.35% with repayment within one year. RMB10,000,000 of bank loans were secured by the operating income receivables generated by certain property management contracts with contractual amount of RMB39,036,000, from which receivables included in “Trade and other receivables” were amounted to RMB1,573,000 as at 31 December 2023.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

27 CONTRACT ASSETS AND CONTRACT LIABILITIES

(a) Contract assets

	2023 RMB'000	2022 RMB'000
Contract assets		
Arising from performance under construction contracts	34,292	8,549
Less: loss allowance	(850)	(220)
	33,442	8,329
Receivables from contracts with customers within the scope of HKFRS 15, which are included in "Trade and other receivables"	91,686	129,249

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services for the communities managed by the Group. The Group's installation contracts include payment schedules which require stage payments over the installation period once milestones are reached. These payment schedules prevent the build-up of significant contract assets. The Group typically agrees to a retention period ranging from 12-month period to 24-month period for 3% of the contract value. This amount is included in the retention receivables until the end of the retention period as the Group's entitlement to this final payment is conditional on the Group's work satisfactorily passing inspection. When the retention period is due and the right to the retention is unconditional, this amount is included in the trade receivables.

Further details on the Group's credit policy and credit risk arising from contract assets are set out in note 35(a).

(b) Contract liabilities

	2023 RMB'000	2022 RMB'000
Property management services	175,235	163,822

Movements in contract liabilities are as follows:

	2023 RMB'000	2022 RMB'000
At 1 January	163,822	216,236
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	(145,305)	(201,230)
Acquisitions of subsidiaries (Note 34)	215	7,065
Net increase in contract liabilities as a result of cash received for property management services in advance	156,503	141,751
At 31 December	175,235	163,822

The Group entered into certain property management agreements with its related parties to provide basic property management services and value-added services and received advance payments of RMB29,283,000 (2022: RMB60,688,000) from its related parties as at 31 December 2023.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

28 TRADE AND OTHER PAYABLES

	Note	2023 RMB'000	2022 RMB'000
Current			
Trade payables (Note)			
– Related parties		24,224	43,251
– Third parties		509,872	357,530
		<u>534,096</u>	<u>400,781</u>
Other payables			
– Related parties		29,412	27,862
– Third parties		63,056	81,492
		<u>92,468</u>	<u>109,354</u>
Consideration payables for business combinations		29,807	31,605
Dividend payables to non-controlling interests		6,205	–
Cash collected on behalf of property owners' association	24	26,678	18,505
Housing maintenance funds held on behalf of property owners	24	18,004	14,079
Financial liabilities measured at amortised cost		707,258	574,324
Accrued payroll and other benefits		226,429	191,696
Deposits		136,464	114,628
Accrued charges		31,110	25,863
		<u>1,101,261</u>	<u>906,511</u>

Note: Trade payables mainly represent payables arising from sub-contracting services including cleaning, security, landscaping and maintenance services provided by suppliers and payables relating to car parks leasing.

Ageing analysis

As at 31 December 2023, the ageing analysis of trade payables, based on invoice date is as follows:

	2023 RMB'000	2022 RMB'000
Within 1 month	177,598	181,573
1 to 3 months	190,955	96,926
3 to 6 months	60,750	46,328
6 to 12 months	45,930	28,270
Over 12 months	58,863	47,684
	<u>534,096</u>	<u>400,781</u>

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

29 FINANCIAL GUARANTEE ISSUED

	2023	2022
	RMB'000	RMB'000
Financial guarantee issued	72,433	62,371

Beijing Global, a subsidiary acquired by the Group, had provided guarantee in respect of a loan with principal amount of RMB183,433,000 borrowed by the vendor. The amount of financial guarantee issued represents the expected payments to reimburse the loan holder for a credit loss that it incurs less any amount that the Group expects to receive from the realisation of pledged assets. In 2023, Beijing Global was served a statement of claim, the notice of response and other documents from Beijing Financial Court in relation to the dispute of the outstanding loan.

Further details on the Group's credit policy and credit risk arising from financial guarantee issued are set out in note 35(a).

30 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at each reporting date:

	2023		2022	
	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000	Present value of the minimum lease payments RMB'000	Total minimum lease payments RMB'000
Within 1 year	9,014	9,546	13,413	19,805
After 1 year but within 2 years	5,316	5,567	7,790	13,682
After 2 years but within 5 years	3,954	4,153	23,038	38,179
After 5 years	403	440	80,689	95,764
	9,673	10,160	111,517	147,625
	18,687	19,706	124,930	167,430
Less: total future interest expenses		(1,019)		(42,500)
Present value of lease liabilities		18,687		124,930

At 31 December 2023, the above balance included lease liabilities in respect of certain leasehold properties leased from related parties of the Group of RMB1,588,000 (2022: RMB513,000).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

31 PRE-IPO SHARE OPTION SCHEME

The Company has a Pre-IPO Share Option Scheme whereby the directors of the Company are authorised, at their discretion, to invite employees of the Group, including directors of any company in the Group, to take up options at consideration of HK\$1 per grant to subscribe for shares of the Company. On 9 September 2020, a total number of 28,200,000 ordinary share options were granted under the Pre-IPO Share Option Scheme. The options will fully vest after three years from the Listing Date or, as the case may be, the first anniversary date of the employment commencement date of the relevant grantees and are then exercisable within a period of 5 years from the date of grant. The exercise price per share is HK\$5.36. Each option gives the holder the right to subscribe for one ordinary share in the Company and is settled gross in shares.

(a) The terms and conditions of the grants are as follows:

	Number of instruments	Vesting conditions	Contractual life of options
Options granted to directors: – on 9 September 2020	17,400,000	33.3%, 33.3% and 33.4% exercisable after the publication of annual report of the Company for the year ended 31 December 2021, 2022 and 2023 respectively, subject to the eligible participants' performance as the conditions of vesting	5 years
Options granted to employees: – on 9 September 2020	10,800,000	33.3%, 33.3% and 33.4% exercisable after the publication of annual report of the Company for the year ended 31 December 2021, 2022 and 2023 respectively, subject to the eligible participants' performance as the conditions of vesting	5 years
Total share options granted	<u>28,200,000</u>		

(b) The number and weighted average exercise prices of share options are as follows:

	2023		2022	
	Weighted average exercise price	Number of options	Weighted average exercise price	Number of options
Outstanding at the beginning of the year	\$5.36	15,616,000	\$5.36	25,705,159
Forfeited during the year	\$5.36	(8,312,000)	\$5.36	(10,089,159)
Outstanding at the end of the year		<u>7,304,000</u>	\$5.36	<u>15,616,000</u>
Exercisable at the end of the year		<u>–</u>		<u>–</u>

The options outstanding at 31 December 2023 have an exercise price of HK\$5.36 and a weighted average remaining contractual life of 1.6 years (2022: 2.6 years).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(a) Current taxation in the consolidated statement of financial position represents:

	2023 RMB'000	2022 RMB'000
Corporate Income Tax		
Prepaid tax	14,529	5,214
Current taxation	(72,016)	(78,389)
	(57,487)	(73,175)
The movement of Corporate Income Tax are as follows:		
At 1 January	(73,175)	(90,126)
Charged to profit or loss	(147,424)	(203,866)
Acquisitions of subsidiaries	-	(9,686)
Payments during the year	163,112	230,503
At 31 December	(57,487)	(73,175)

(b) Deferred tax recognised:

(i) Movements of each component of deferred tax assets and liabilities

The components of deferred tax assets/(liabilities) recognised in the consolidated statement of financial position and the movements during the year are as follows:

	Deferred tax arising from									Total RMB'000
	Impairment losses RMB'000	Unused tax losses RMB'000	Right-of-use assets RMB'000	Lease liabilities RMB'000	Accrued expenses RMB'000	Uncompleted property management contracts RMB'000	Customer relationships RMB'000	Withholding tax RMB'000	Other temporary difference RMB'000	
At 1 January 2022	17,303	444	(26,882)	32,937	5,268	(6,777)	-	(6,981)	-	15,332
Credited/(charged) to profit or loss	20,966	912	2,703	(1,704)	(46)	3,310	4,979	298	(1,125)	30,293
Acquisitions of subsidiaries	462	-	-	-	251	(3,669)	(76,845)	-	-	(79,801)
At 31 December 2022 and 1 January 2023	38,731	1,356	(24,179)	31,233	5,493	(7,136)	(71,866)	(6,683)	(1,125)	(34,176)
Credited/(charged) to profit or loss	24,177	309	19,526	(26,561)	-	4,200	6,033	276	-	27,960
Acquisitions of subsidiaries (Note 34)	-	998	-	-	-	-	(2,670)	-	-	(1,672)
At 31 December 2023	62,908	2,663	(4,653)	4,672	5,493	(2,936)	(68,503)	(6,407)	(1,125)	(7,888)

(ii) Reconciliation to the consolidated statement of financial position

	2023 RMB'000	2022 RMB'000
Net deferred tax assets in the consolidated statements of financial positions	71,083	52,634
Net deferred tax liabilities in the consolidated statements of financial positions	(78,971)	(86,810)
	(7,888)	(34,176)

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

32 INCOME TAX IN THE CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(continued)

(c) Deferred tax assets not recognised:

The Group has not recognised deferred tax assets in respect of unused tax losses of subsidiaries as it is not probable that sufficient future taxable profits will be available against which unused tax losses can be utilised. For the year ended 31 December 2023, the Group did not recognise deferred income tax assets in respect of losses amounting to RMB187,000 (2022: RMB41,000) that can be carried forward against future taxable income. Tax losses of group companies operated in the PRC could be carried forward for a maximum of ten years. These tax losses will expire up to year 2028.

(d) Deferred tax liabilities not recognised:

The PRC Corporate Income Tax Law and its implementation rules impose a withholding tax at 10%, unless reduced by a treaty or agreement, for dividends, distributed by a Chinese Mainland-resident enterprise to its immediate holding company outside the Chinese Mainland for profits generated and undistributed profits generated. According to the China-Hong Kong tax arrangement and its relevant regulations, a qualified Hong Kong tax resident which is the “beneficial owner” and holds 25% or more of a Chinese Mainland enterprise is entitled to a reduced withholding tax rate of 5%. As at 31 December 2023, the Group did not provide for deferred tax liabilities on profits generated by certain of its Chinese Mainland subsidiaries amounting to RMB585,934,000 (2022: RMB497,401,000) since the Group controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

33 CAPITAL, RESERVES AND DIVIDENDS

(a) Share capital

Authorised share capital

The authorised share capital of the Company is HKD50,000,000 divided into 5,000,000,000 shares with the par value of HK\$0.01 each.

Issued share capital

	2023			2022		
	Number of shares ('000)	HK\$	RMB	Number of shares ('000)	HK\$	RMB
Ordinary shares, issued and fully paid:						
At 1 January	1,220,348	12,203,482	10,478,929	1,222,490	12,224,900	10,496,360
Shares cancelled	-	-	-	(2,142)	(21,418)	(17,431)
At 31 December	1,220,348	12,203,482	10,478,929	1,220,348	12,203,482	10,478,929

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 CAPITAL, RESERVES AND DIVIDENDS (continued)

(b) Movements in components of equity of the Company

Details of the changes in the Company's individual components of equity are set out below:

	Share capital RMB'000	Share premium RMB'000	Share option reserves RMB'000	Treasury shares RMB'000	Exchange reserve RMB'000	Retained profit RMB'000	Total RMB'000
Balance at 1 January 2022	10,496	2,949,636	22,798	(8,100)	(144,480)	18,002	2,848,352
Changes in equity for 2022:							
Total comprehensive income for the year	-	-	-	-	255,551	327,625	583,176
2021 final dividend declared in respect of the previous year (Note 33(d))	-	-	-	-	-	(172,801)	(172,801)
2022 interim dividend declared in respect of the current year (Note 33(d))	-	-	-	-	-	(155,472)	(155,472)
Pre-IPO equity-settled share-based payment (Note 31)	-	-	6,840	-	-	-	6,840
Forfeiture of share options (Note 31)	-	-	(13,354)	-	-	-	(13,354)
Cancellation of repurchased own shares	(17)	(8,083)	-	8,100	-	-	-
Balance at 31 December 2022 and balance on 1 January 2023	10,479	2,941,553	16,284	-	111,071	17,354	3,096,741
Changes in equity for 2023:							
Total comprehensive income for the year	-	-	-	-	44,693	196,620	241,313
2022 final dividend declared in respect of the previous year (Note 33(d))	-	-	-	-	-	(64,740)	(64,740)
2023 interim dividend declared in respect of the current year (Note 33(d))	-	-	-	-	-	(136,313)	(136,313)
Forfeiture of share options (Note 31)	-	-	(16,284)	-	-	-	(16,284)
Balance at 31 December 2023	10,479	2,941,553	-	-	155,764	12,921	3,120,717

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 CAPITAL, RESERVES AND DIVIDENDS (continued)

(c) Nature and purpose of reserves

(i) PRC statutory reserves

Statutory reserves are established in accordance with the relevant PRC rules and regulations and the articles of association of the companies comprising the Group which are incorporated in Chinese Mainland until the reserve balance reaches 50% of their registered capital. The transfer to their reserves must be made before distribution of a dividend to equity holders.

For the companies concerned, statutory reserves can be used to cover previous years' losses, if any, and may be converted into capital in proportion to the existing equity interests of equity holders, provided that the balance of the reserve after such conversion is not less than 25% of the registered capital of the respective companies.

(ii) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of operations outside Chinese Mainland. The reserve is dealt with in accordance with the accounting policies set out in note 2(w).

(d) Dividends

(i) Dividends payable to equity shareholders of the Company attributable to the year ended 31 December 2023:

	2023 RMB'000	2022 RMB'000
Interim dividend declared and paid after the interim period of HK12.18 cents per ordinary share (2022: HK14.60 cents per ordinary share)	136,313	155,472
Final dividend proposed after the end of financial position date of HK6.82 cents (equivalent to RMB6.19 cents) per ordinary share (2022: HK6.09 cents (equivalent to RMB5.31 cents) per ordinary share)	75,569	64,740
	211,882	220,212

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

33 CAPITAL, RESERVES AND DIVIDENDS (continued)

(d) Dividends (continued)

- (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved during the year:

	2023 RMB'000	2022 RMB'000
Final dividend in respect of the previous financial year, approved and paid during the year, of HK6.09 cents per ordinary share (2022: HK17.38 cents per ordinary share)	64,740	172,801

(e) Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

As of 31 December 2023, asset-liability ratio of the Group is follows:

	2023 RMB'000	2022 RMB'000
Asset-liability ratio	30%	28%

Other than a subsidiary engaged in micro-lending activities which has imposed registered capital of RMB305 million, the Group is not subject to other externally imposed capital requirements throughout the year.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 BUSINESS COMBINATION

In 2023, the Group entered into a sale and purchase agreement with independent third parties (the “**Vendors**”) for the acquisition of 51% of equity interest in Yaozhan Management (the “**Acquiree**”) at a consideration including cash consideration and contingent consideration based on the future performance of the Acquiree. The Acquiree holds 51% of equity interest in Shanghai Yaozhan Hospital Property Management Co., Ltd. (上海瑤瞻醫院物業管理有限公司) and its subsidiaries, which are engaged in public and industrial property management services. The business combination was made as part of the Group’s strategy to expand its market share of public and industrial property management operation in Chinese Mainland. The transaction was completed in January 2023.

The effect of the acquisition on the Group’s assets and liabilities is set out as below:

	Notes	RMB'000
Property, plant and equipment		991
Intangible asset	(a)	10,679
Deferred tax assets		998
Trade and other receivables		50,476
Cash and cash equivalents		5,097
Bank loans and other borrowings		(14,000)
Contract liabilities		(215)
Trade and other payables		(33,057)
Deferred tax liabilities		(2,670)
Non-controlling interests	(b)	(13,539)
Fair value of net identified assets acquired, net of non-controlling interests		4,760
Financial asset measured at FVPL	(c)	2,403
Goodwill arising from the acquisition	(d)	18,228
Total consideration	(e)	25,391

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

34 BUSINESS COMBINATION *(continued)*

Notes:

- (a) Intangible asset represents identified uncompleted property management contracts of approximately RMB10,679,000 in relation to the acquisition have been recognised by the Group.
- (b) The Group recognised the non-controlling interests based on their proportionate interest in the recognised amounts of the assets and liabilities of the Acquiree.
- (c) Financial asset measured at FVPL represent the right (“**Yaozhan Option Right**”) granted by the Vendors which allows the Group to either (i) put back the Group’s shares to the Vendors for cash or (ii) acquire additional shares at price based on actual results of the Acquiree in subsequent 3 years from 2022 when certain conditions are met. By reference of valuation performed by JLL, the Group estimated that the fair value of Yaozhan Option Right was amounted to RMB2,403,000 at the acquisition date. The fair value of the option was reduced to RMB1,699,000 upon remeasurement as at 31 December 2023.
- (d) The goodwill arose from the acquisition was mainly attributable to the expected synergies from combining the operations of the Group and the Acquiree.
- (e) Total consideration included cash consideration of RMB18,207,000 and contingent consideration of RMB7,184,000. As part of the purchase agreement, the contingent consideration represents the consideration to be determined based on the actual results of the Acquiree in subsequent three years from 2022. The contingent consideration was recognised as financial liabilities measured at FVPL. The fair value of the contingent consideration at the acquisition date was RMB7,184,000 by reference of valuation performed by JLL and based on the undiscounted expected consideration payments of RMB7,803,000.

Net cash outflow arising on the acquisition during the year ended 31 December 2023:

	RMB'000
Total consideration	25,391
Less: contingent consideration to be paid	(7,184)
Less: consideration payables to be paid subsequent to year end	(5,202)
Consideration paid during the year	13,005
Less: cash and cash equivalents acquired	(5,097)
Net cash outflow on acquisition	7,908

The subsidiaries contributed an aggregate revenue of RMB195,925,000 and net loss attributable to the equity shareholders of the Company of RMB629,000 to the Group for the year.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS

Exposure to credit, liquidity, interest rate, currency and fair value risks arise in the normal course of the Group's business.

Financial assets of the Group include cash and cash equivalents, restricted deposits, financial assets measured at FVPL, trade and other receivables and loans receivable. Financial liabilities of the Group include interest-bearing borrowings and trade and other payables.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

(a) Credit risk

The Group's credit risk is primarily attributable to cash at bank and restricted deposits, contract assets, trade and other receivables and loans receivable. Management has a credit policy in place and the exposures to these credit risks are monitored on an ongoing basis.

The cash at bank and restricted deposits of the Group are mainly held with well-known financial institutions. Management does not foresee any significant credit risk from these deposits and does not expect that these financial institutions may default and cause losses to the Group.

Trade and other receivables

The Group has a large group of customers from different sectors and there is no concentration of credit risk. It has set up procedures to monitor settlement of overdue property management fees. It uses debtors' aging analysis to assess customers' ability to settle in accordance with the contractual terms on a timely basis. The Group does not offer any credit period to our tenant customers except for certain large customers which have a credit period of generally one to three months.

In respect of trade receivables, the Group measures loss allowances at an amount equal to lifetime ECLs. The ECL rates take into account of different payment behaviours and credit terms granted to different customer types, such as, large group customers, commercial tenants and residential customers. The Group also considers significant changes in property management and other service fee collection rate when determining expected credit loss rate.

In respect of amounts due from related parties and other receivables, regular review and follow-up actions are carried out on long-aged receivables, which enable management to assess their recoverability and to minimise exposure to credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated statement of financial position. Specific impairment losses have been made for the certain other receivables to reflect the relevant ECL.

The Group expects that the credit risk associated with other receivables due from certain entities (including the non-trade amounts due from the entities controlled by Mr. Li Wa, other non-trade amounts due from Excellence Group and other receivables due from other related parties) is low, since these entities have a strong capacity to meet its contractual cash flow obligations in the near term. The Group has assessed that the ECL rate for the amounts due from these entities is low and considered them to have low credit risk, and thus the loss allowance is immaterial.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The Group's exposure to credit risk arising from refundable rental deposits is considered to be low, taking into account (i) the landlords' credit rating and (ii) the remaining lease term and the period covered by the rental deposits.

The following table provides information about the Group's exposure to credit risk and ECLs for trade and other receivables as at 31 December:

	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
At 31 December 2023			
Trade and bills receivables – Non-residential properties			
Within 6 months	2.7%	792,238	21,419
6 months to 1 year	4.4%	175,091	7,748
1 to 2 years	15.1%	141,163	21,292
2 to 3 years	58.1%	18,545	10,774
Over 3 years	100.0%	17,978	17,978
		1,145,015	79,211
Trade and bills receivables – Residential properties			
Within 1 year	17.0%	156,528	26,639
1 to 2 years	52.9%	33,392	17,652
2 to 3 years	100.0%	13,179	13,179
Over 3 years	100.0%	13,717	13,717
		216,816	71,187
		1,361,831	150,398
Other receivables	1.7%	380,934	6,341
		1,742,765	156,739

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

At 31 December 2022	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Trade receivables –			
Non-residential properties			
Within 6 months	1.6%	724,525	11,526
6 months to 1 year	2.5%	133,907	3,285
1 to 2 years	35.7%	34,689	12,371
2 to 3 years	68.0%	11,675	7,944
Over 3 years	100.0%	13,036	13,036
		917,832	48,162
Trade receivables –			
Residential properties			
Within 1 year	13.8%	66,448	9,153
1 to 2 years	47.4%	16,616	7,872
2 to 3 years	100.0%	3,863	3,863
Over 3 years	100.0%	12,525	12,525
		99,452	33,413
		1,017,284	81,575
Other receivables	0.6%	376,141	2,304
		1,393,425	83,879

Expected loss rates are based on actual loss experience over the past four years. These rates are adjusted to reflect differences between economic conditions during the reporting periods over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

In addition to the credit risk management policy stated above, the Group considers the probability of default upon initial recognition of assets and considers whether there has been a significant increase in credit risk on an ongoing basis. To assess whether there has been a significant increase in credit risk, the Group compares the risk of default occurring on an asset as at the end of each reporting period with the risk of default as at the date of initial recognition. Details of indicators are disclosed in note 2(l)(i).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Trade and other receivables (continued)

The movement in the allowance for impairment of trade and other receivables during the year, including both specific and collective loss components, is as follows:

Impairment of trade and other receivables

	2023	2022
	RMB'000	RMB'000
At 1 January	83,879	44,394
Impact of acquisition of subsidiaries	–	1,849
Impairment loss recognised	72,919	37,766
Write-off	(59)	(130)
At 31 December	156,739	83,879

Loans receivable

In respect of loans receivable, the Group has established relevant mechanism to cover credit risk in key operational phases of micro-lending business, including pre-lending evaluations, credit approval, and post-lending monitoring. The Group conducts customer acceptance and due diligence by business and marketing department and risk management department in pre-lending evaluations. In the credit approval phase, all loan applications are subject to the assessment and approval of the Group's deputy general manager, general manager or loan assessment committee, depending on the amount of the loans. During the post-lending monitoring, the Group keeps monitor the repayment of interests to detect any potential risks by evaluating various aspects, including but not limited to the customers' operational and financial conditions, status of collaterals and other sources of repayment.

At the end of each reporting period, based on the credit quality, loans receivable are categorised into three stages by the Group:

Stage 1

Loans receivable have not experienced a significant increase in credit risk since origination and impairment is recognised on the basis of 12 months expected credit losses (12-month ECLs).

Stage 2

Loans receivable have experienced a significant increase in credit risk since origination and impairment is recognised on the basis of lifetime expected credit losses (Lifetime ECLs non credit-impaired).

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Loans receivable *(continued)*

Stage 3

Loans receivable are in default and considered credit impaired (Lifetime ECLs credit-impaired).

The Group applies the ECL model to measure the impairment loss of the loans receivable by considering the probabilities of default, losses given default, exposures at default and forward-looking information (e.g. impact of development in macroeconomic environment and etc.).

The following table provides information about the Group's exposure to credit risk and ECLs for loans receivable as at 31 December:

At 31 December 2023	Expected loss rate	Gross carrying amount	Loss allowance
Loans receivable			
– Stage 1	4.2%	313,200	13,094
– Stage 3	49.8%	35,430	17,629
		348,630	30,723
At 31 December 2022	Expected loss rate	Gross carrying amount	Loss allowance
Loans receivable			
– Stage 1	2.0%	28,559	568
– Stage 3	30.0%	56,900	17,070
		85,459	17,638

The movement in the allowance for impairment of loans receivable during the year is as follows:

Impairment of loans receivable

	2023 RMB'000	2022 RMB'000
At 1 January	17,638	18,900
Impairment loss recognised/(reversed)	13,085	(1,262)
At 31 December	30,723	17,638

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflects their credit risk:

Stage 1

Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.

Stage 2

Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.

Stage 3

Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

The following table provides information about the Group's exposure to credit risk and ECLs for contract assets as at 31 December 2023:

At 31 December 2023	Category	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Contact assets				
Stage 1	Not credit-impaired	2.4%	35,142	850
At 31 December 2022	Category	Expected loss rate	Gross carrying amount RMB'000	Loss allowance RMB'000
Contact assets				
Stage 1	Not credit-impaired	2.6%	8,549	220

The expected average loss rates are estimated based on historical observed default rates over the expected life of the debtors.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(a) Credit risk *(continued)*

Financial guarantee issued

The financial guarantee issued represents the guarantee on a loan and interest of the loan jointly guaranteed by Beijing Global and several other entities as set out in note 29. The loan was overdue during the year. The Group actively liaised with the borrower of the loan and holder of the guarantee so as to minimise its exposure to the guarantee.

The financial guarantee issued was determined at an amount equal to the ECL allowance measured on a lifetime basis, since the underlying loan was credit-impaired as at 31 December 2023. Management assessed the ECL allowance for the financial guarantee issued based on the expected payments including additional interest and penalty on overdue payments to reimburse the holder of the financial guarantee, taking into account the liquidation value of the pledged property. Management's assessment of the liquidation value of the pledged property is based on valuation prepared by JLL, which considers market prices of comparable properties and liquidity discount.

The following table provides information about the Group's exposure to credit risk and ECLs for financial guarantee issued as at 31 December:

	Carrying amount	Lifetime loss allowance (credit-impaired)
	RMB'000	RMB'000
At 1 January 2022	–	–
Acquisition of a subsidiary	14,600	–
Impairment loss recognised	47,771	47,771
At 31 December 2022 and 1 January 2023	62,371	47,771
Impairment loss recognised	10,062	10,062
At 31 December 2023	72,433	57,833

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(b) Liquidity risk

The Group's management reviews the liquidity position of the Group on an ongoing basis, including review of the expected cash inflows and outflows and maturity of loans and borrowings in order to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The following tables show the remaining contractual maturities at the end of each reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of each reporting period) and the earliest date the Group can be required to pay:

	As at 31 December 2023					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Lease liabilities	9,546	5,567	4,153	440	19,706	18,687
Trade and other payables (excluding deposits, accrued payroll and other benefits and accrued charges)	707,258	-	-	-	707,258	707,258
Financial guarantee issued <i>(Note)</i>	283,488	-	-	-	283,488	72,433
	1,000,292	5,567	4,153	440	1,010,452	798,378

	As at 31 December 2022					Carrying amount RMB'000
	Contractual undiscounted cash outflow					
	Within 1 year or on demand RMB'000	More than 1 year but less than 2 years RMB'000	More than 2 years but less than 5 years RMB'000	More than 5 years RMB'000	Total RMB'000	
Lease liabilities	19,805	13,682	38,179	95,764	167,430	124,930
Trade and other payables (excluding deposits, accrued payroll and other benefits and accrued charges)	574,324	-	-	-	574,324	574,324
Financial guarantee issued <i>(Note)</i>	230,375	-	-	-	230,375	62,371
	824,504	13,682	38,179	95,764	972,129	761,625

Note: The financial guarantee issued represents the maximum contractual payments to the holder before taking into account the realisable value of the relevant pledged assets.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group is not exposed to significant interest rate risk for cash and cash equivalents or restricted cash because the interest rates of cash at bank are not expected to change significantly.

All of the lease liabilities and other borrowings of the Group are fixed rate instruments and are insensitive to any change in market interest rates. The Group does not have floating rate liabilities or loans as at 31 December 2023 and consequently does not have significant exposure to interest rate risk.

(d) Currency risk

The functional currency of the Group's subsidiaries in Chinese Mainland is RMB. The Group considers the risk of movements in exchange rates to be insignificant except for dividends distributed by a Chinese Mainland-resident enterprise to its immediate holding company outside Chinese Mainland. Almost all of the Group's operating activities are carried out in Chinese Mainland with most of the transactions denominated in RMB. The cash held by the Company and Hong Kong subsidiary are denominated in Hong Kong dollar ("HKD" or "HK\$") and the functional currency of these entities are HKD.

(e) Fair value measurement

(i) Fair value hierarchy

The following table presents the fair value of the Group's financial instruments measured at the end of the reporting period on a recurring basis, categorised into the three-level fair value hierarchy as defined in HKFRS 13, Fair value measurement. The level into which a fair value measurement is classified is determined with reference to the observability and significance of the inputs used in the valuation technique as follows:

- Level 1 valuations: Fair value measured using only Level 1 inputs i.e. unadjusted quoted prices in active markets for identical assets or liabilities at the measurement date
- Level 2 valuations: Fair value measured using Level 2 inputs i.e. observable inputs which fail to meet Level 1, and not using significant unobservable inputs. Unobservable inputs are inputs for which market data are not available
- Level 3 valuations: Fair value measured using significant unobservable inputs

The Group's Financial Management Department headed by the General Manager is responsible for determining the policies and procedures for the fair value measurement of financial instruments. The Financial Management Department reports directly to the chief financial officer. At each reporting date, the Financial Management Department analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the executive director. The valuation process and results are discussed with the audit committee twice a year for interim and annual financial reporting.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

35 FINANCIAL RISK MANAGEMENT AND FAIR VALUES OF FINANCIAL INSTRUMENTS *(continued)*

(e) Fair value measurement *(continued)*

(i) Fair value hierarchy *(continued)*

The value techniques and the inputs used in the fair value measurements are set out as below:

	Valuation techniques	Significant Unobservable inputs	
Yaozhan Option Right	Black-Scholes model	Expected volatility	62.98%
Contingent consideration	Discounted cash flow method	Discount rate	3.45%

During the years ended 31 December 2022 and 2023, there were no transfers between Level 1 and Level 2 or transfers into or out of Level 3. The Group's policy is to recognise transfers between levels of fair value hierarchy as at the end of the reporting period in which they occur.

(f) Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the Group's financial assets and liabilities carried at amortised cost are not materially different from their fair values at 31 December 2023 and 2022.

36 COMMITMENTS

Commitments outstanding not provided for in the financial statements were as follows:

	2023 RMB'000	2022 RMB'000
Authorised but not contracted for		
– acquisition of property, plant and equipment	25,890	24,253
– acquisition of intangible assets	9,901	6,209
	35,791	30,462

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

37 CONTINGENCIES

On 9 November 2022, Excellence Property Management, an indirect wholly owned subsidiary of the Company was served with a notice of arbitration issued by the Shanghai Arbitration Commission and the other relevant documents in relation to a dispute in respect of acquisition of 40% equity interest in a project company (“**the Project Company**”) which is currently 60% held by a disposed subsidiary of the Group (“**the Disposed Subsidiary**”), involving the Disposed Subsidiary and Excellence Property Management, as the respondents, and the beneficial owners of the 40% equity interest in the Project Company, as the applicants.

The applicants alleged that the Disposed Subsidiary, as an agent of Excellence Property Management, failed to acquire all the 40% equity interest in the Project Company owned by the applicants and claimed against the Disposed Subsidiary and Excellence Property Management to:

- (i) pay the applicants RMB20.8 million being damages for the breach of the agreement;
- (ii) acquire all the equity interest in the Project Company owned by the applicants at a cash consideration calculated based on 40% of the audited net profit of the Project Company for the year ended 31 December 2020, multiplied by 12; and
- (iii) costs.

The Group has engaged legal advisors to handle the arbitration. Up to the date of these financial statements, no arbitral award was granted. The directors believed that Excellence Property Management should not be involved as a respondent under the arbitration and since the result of the arbitration cannot be estimated reliably as the date of these financial statements, no provision in respect of the arbitration was recognised.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

38 RELATED PARTY TRANSACTIONS

In addition to the related party transactions and balances disclosed elsewhere in these financial statements, the Group also had the following related party transactions and related balances:

(a) Material related party transactions

- (i) The Group rendered properties management services and value-added services to Excellence Group and other related parties that included companies that were owned by or under significant influence of the Ultimate Controlling Shareholder and chairman of the board of the Group. The properties management service and value-added services revenue for the year ended 31 December 2023 were RMB205,318,000 (2022: RMB182,116,000) and RMB383,994,000 (2022: RMB454,574,000) respectively. The amount of trade receivables, contract assets and contract liabilities at 31 December 2023 were RMB554,498,000 (2022: RMB400,361,000), RMB32,339,000 (2022: RMB8,268,000) and RMB29,283,000 (2022: RMB60,688,000) respectively.
- (ii) The Group purchased maintenance and other services as well as goods from related parties that included companies that were owned or under significant influence by Ultimate Controlling Shareholder and chairman of the board of the Group. The cost incurred in this regard for the year ended 31 December 2023 was RMB2,125,000 (2022: RMB3,732,000) and the amount payable at 31 December 2023 was RMB604,000 (2022: RMB20,000).
- (iii) The Group entered into leases agreements in respect of certain leasehold properties from its related parties that included companies that were owned or under significant influence by Ultimate Controlling shareholder and chairman of the board of the Group. The amounts of lease payments by the Group under these leases for the year ended 31 December 2023 were RMB65,732,000 (2022: RMB80,216,000). The outstanding rent payable at 31 December 2023 was RMB23,280,000 (2022: RMB43,251,000).
- (iv) The Group entered into certain carparks purchase agreements with Excellence Group and other related parties that included companies that were owned by or under significant influence of the Ultimate Controlling Shareholder and chairman of the board of the Group. The Group paid RMB25,069,000 (2022: RMB33,529,000) to acquire carparks from these companies during the year ended 31 December 2023. The prepayment for uncompleted carparks for the year ended 31 December 2023 was RMB30,920,000 (2022: RMB27,000,000).
- (v) The Group paid IT system support service fee of RMB10,802,000 (2022: RMB9,476,000) to Excellence Group during the year ended 31 December 2023.

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

38 RELATED PARTY TRANSACTIONS *(continued)*

(b) Key management personnel remuneration

Remuneration for key management personnel of the Group, including amounts paid to the Company's directors as disclosed in note 9 and certain of the highest paid employees as disclosed in note 10, is as follows:

	2023 RMB'000	2022 RMB'000
Salaries, allowances and benefits in kind	7,688	9,196
Discretionary bonuses	2,065	3,433
Retirement scheme contributions	115	305
Equity-settled share-based payment	(12,288)	(5,363)
	<u>(2,420)</u>	<u>7,571</u>

Total remuneration is included in "staff costs" (see note 7(b)).

(c) Applicability of the Listing Rules relating to connected transactions

Apart from the connected transactions and continuing connected transactions disclosed in the section headed "Connected Transactions and Continuing Connected Transactions" in the Report of Directors, all the other related party transactions did not fall under the scope of "Connected Transactions" or "Continuing Connected Transactions" under Chapter 14A of the Listing Rules which are required to comply with any of the reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

39 COMPANY-LEVEL STATEMENT OF FINANCIAL POSITION

	2023 RMB'000	2022 RMB'000
Non-current assets		
Investment in a subsidiary	70,474	85,759
Other receivables	2,993,481	2,950,320
	<u>3,063,955</u>	<u>3,036,079</u>
Current assets		
Restricted deposits	–	14,154
Cash and cash equivalents	67,088	55,131
	<u>67,088</u>	<u>69,285</u>
Current liability		
Other payables	10,326	8,623
Net current assets	<u>56,762</u>	<u>60,662</u>
Net assets	<u>3,120,717</u>	<u>3,096,741</u>
Share capital	10,479	10,479
Reserves	3,110,238	3,086,262
TOTAL EQUITY	<u>3,120,717</u>	<u>3,096,741</u>

Notes to the Consolidated Financial Statements

(Expressed in Renminbi unless otherwise indicated)

40 NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD

Subsequent to the end of the reporting period, the board of the directors proposed a final dividend. Further details are disclosed in note 33(d).

41 IMMEDIATE AND ULTIMATE CONTROLLING PARTY

At 31 December 2023, the directors consider the ultimate controlling party and the immediate parent of the Group is Mr. Li Wa and Urban Hero respectively.

42 POSSIBLE IMPACT OF AMENDMENTS, NEW STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE FOR THE YEAR ENDED 31 DECEMBER 2023

Up to the date of issue of these financial statements, the HKICPA has issued a number of new or amended standards, which are not yet effective for the year ended 31 December 2023 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Classification of liabilities as current or non-current ("2020 amendments")</i>	1 January 2024
Amendments to HKAS 1, <i>Presentation of financial statements:</i> <i>Non-current liabilities with covenants ("2022 amendments")</i>	1 January 2024
Amendments to HKFRS 16, <i>Leases: Lease liability in a sale and leaseback</i>	1 January 2024
Amendments to HKAS 7, <i>Statement of cash flows and HKFRS 7,</i> <i>Financial Instruments: Disclosures: Supplier finance arrangements</i>	1 January 2024
Amendments to HKAS 21, <i>The effects of changes in foreign exchange rates:</i> <i>Lack of exchangeability</i>	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				2023
	2019	2020	2021	2022	RMB'000
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,836,019	2,525,087	3,467,066	3,527,396	3,926,808
Cost of sales	(1,402,573)	(1,861,275)	(2,507,439)	(2,683,050)	(3,180,117)
Gross profit	433,446	663,812	959,627	844,346	746,691
Other revenue	17,467	22,970	45,518	66,736	52,758
Other net gain/(loss)	(2,147)	35,350	7,345	11,150	13,744
Impairment losses on receivables, contract assets and issued financial guarantees	(13,625)	(14,320)	(12,898)	(84,175)	(96,696)
Impairment loss on goodwill	–	–	–	(28,159)	–
Selling and marketing expenses	(7,024)	(15,419)	(18,637)	(28,936)	(45,521)
Administrative expenses	(96,776)	(194,667)	(203,352)	(174,144)	(232,702)
Profit from operations	331,341	497,726	777,603	606,818	438,274
Finance costs	(20,482)	(29,535)	(20,705)	(9,136)	(5,941)
Share of profit of an associate	887	1,212	1,387	1,524	8,075
Share of profits less losses of joint ventures	5,001	7,346	7,450	822	2,403
Profit before taxation	316,747	476,749	765,735	600,028	442,811
Income tax	(83,182)	(120,827)	(218,254)	(173,573)	(119,464)
Profit for the year	233,565	355,922	547,481	426,455	323,347
Attributable to:					
Equity shareholders of the Company	178,510	324,987	510,088	403,494	302,688
Non-controlling interests	55,055	30,935	37,393	22,961	20,659
Profit for the year	233,565	355,922	547,481	426,455	323,347
Other comprehensive income for the year (after tax and reclassification adjustments)					
Items that may be reclassified subsequently to profit or loss:					
Exchange differences on translation of financial statements of the Company and overseas subsidiaries	10	(55,621)	(66,025)	(22,759)	1,110
Total comprehensive income for the year	233,575	300,301	481,456	403,696	324,457
Attributable to:					
Equity shareholders of the Company	178,518	269,366	444,063	380,735	303,798
Non-controlling interests	55,057	30,935	37,393	22,961	20,659
Total comprehensive income for the year	233,575	300,301	481,456	403,696	324,457
Earnings per share (RMB cents)					
Basic	19.8	33.7	41.7	33.1	24.8
Diluted	19.8	33.6	41.7	33.1	24.8

Five-Year Financial Summary

CONSOLIDATED ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	2023
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Assets					
Non-current assets	589,233	595,740	559,117	942,057	926,496
Current assets	1,962,630	4,334,214	4,513,019	4,070,075	4,271,894
Total assets	2,551,863	4,929,954	5,072,136	5,012,132	5,198,390
Equity and liabilities					
Total equity	455,875	3,256,286	3,466,432	3,589,299	3,652,696
Non-current liabilities	221,521	430,678	132,225	198,327	93,735
Current liabilities	1,874,467	1,242,990	1,473,479	1,224,506	1,451,959
Total liabilities	2,095,988	1,673,668	1,605,704	1,422,833	1,545,694
Total equity and liabilities	2,551,863	4,929,954	5,072,136	5,012,132	5,198,390