合景悠活
KWG LIVING

Incorporated in the Cayman Islands with limited liability
Stock Code: 3913

KWG LIVING GROUP HOLDINGS LIMITED

ENJOY LIFE EVERYWHERE

2022 ANNUAL REPORT


Ufun The Unique Fun
Polo
AMERICAN CASUAL LIVING
bebe
TOMMY HILFIGER
CALVIN KLEIN

Contents

Corporate Information and Financial Calendar

Corporate Information

Board of Directors

Executive Directors
KONG Jiannan *(Chief Executive Officer)*
YANG Jingbo
WANG Yue (Resigned on 31 May 2022)

Non-executive Director
KONG Jianmin *(Chairman)*

Independent Non-executive Directors
LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum

Audit Committee

LIU Xiaolan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Remuneration Committee

KONG Jiannan
FUNG Che Wai, Anthony
NG Yi Kum *(Chairperson)*

Nomination Committee

KONG Jianmin *(Chairperson)*
FUNG Che Wai, Anthony
NG Yi Kum

Company Secretary

CHAN Ching Nga

Authorised Representatives

KONG Jiannan
CHAN Ching Nga

Auditor

Ernst & Young
Certified Public Accountants
Registered Public Interest Entity Auditor

Legal Advisors

As to Hong Kong law: Sidley Austin
As to Cayman Islands law: Conyers Dill & Pearman

Registered Office

Cricket Square, Hutchins Drive, P.O. Box 2681,
Grand Cayman, KY1-1111, Cayman Islands

Principal Place of Business in Hong Kong

Units 8503-05A, Level 85, International Commerce Centre,
1 Austin Road West, Kowloon, Hong Kong

Principal Share Registrar

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

Hong Kong Share Registrar

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17/F, Hopewell Centre,
183 Queen's Road East, Wan Chai, Hong Kong

Principal Bankers

Agricultural Bank of China Limited
Bank of China Limited
China Construction Bank Corporation
China Merchants Bank Co., Limited
China Everbright Bank Co., Limited
Industrial and Commercial Bank of China Limited
Industrial Bank Co., Limited

Website

www.kwgliving.com

Stock Code

3913

Financial Calendar

Annual results announcement: 30 March 2023

Closure of register of members (for ascertaining shareholders' entitlement to attend and vote at annual general meeting): 29 May 2023 to 1 June 2023 (both days inclusive)

Annual general meeting: 1 June 2023

Corporate Profile

The history of KWG Living Group Holdings Limited ("**KWG Living**" or the "**Company**", together with its subsidiaries, collectively the "**Group**", "**KWG Living Group**", "**we**", "**us**" or "**our**") can be traced back to 2004. Its shares (the "**Shares**") were listed (the "**Listing**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 3913) on 30 October 2020 (the "**Listing Date**").

The Group is a leading full-scale smart service operator in the People's Republic of China ("**PRC**" or "**China**") China. Over more than 20 years, the Group has formulated a regional layout with core regions including the Greater Bay Area, Yangtze River Delta and Midwestern China, and its services cover diversified businesses involving residence, shopping malls, office buildings, hospitals, schools, institutions and city services. At the same time, the Group proactively establishes a service system of standardization and scientific technology to continuously improve its services efficiency and service quality enabled by technology, through which it enhances its market position and comprehensive competitiveness year by year and was awarded the honour as "**Top 15 Property Management Companies in China**" in 2021 by China Index Academy.

Looking forward, the Group will fully leverage every industry opportunity to realize the full-scale quality development to further consolidate its scalable effects and market position through proactive developer cooperation, third-party market expansion and mergers and acquisition strategies. On the other hand, through efficient post-investment management, refined operations and leading digital management capabilities, the Group will achieve the collaboration and organic integration of multiple business formats, thereby building a positive cycle of high-quality and high-speed corporate development.

Financial Highlights

	For the year ended 31 December		
	2022 **RMB'000**	2021 RMB'000	Change %
Key financial information			
Revenue	**4,025,711**	3,255,446	23.7
Gross profit	**1,240,560**	1,226,108	1.2
Profit for the year	**59,851**	684,317	(91.3)
Attributable to:			
— Owners of the parent	**3,412**	674,843	(99.5)
— Non-controlling interests	**56,439**	9,474	495.7
Earnings per share attributable to ordinary equity holders of the parent			
— Basic and diluted (expressed in RMB cents per shares)	**—**	33	(100.0)

	As at 31 December		
	2022 **RMB'000**	2021 RMB'000	Change %
Total assets	**6,944,691**	5,002,071	38.8
Total liabilities	**3,516,172**	1,486,185	136.6
Total equity	**3,428,519**	3,515,886	(2.5)

Significant Awards and International Recognized Standards

Year	Award	Institution
12 April 2022	2022 Property Enterprise Service Excellence — TOP 8	Guandian Index Academy
12 April 2022	2022 Listed Property Services Companies with Outstanding Financial Performance — TOP 7	Guandian Index Academy
26 April 2022	2022 China's Leading Smart City Services Companies	China Index Academy
26 April 2022	2022 China's Outstanding Property Service Enterprise in terms of ESG Development	China Index Academy
26 April 2022	2022 Annual Property Service Enterprise with Sense of Social Responsibility in China	China Index Academy
20 May 2022	2022 Growth Potential of China Property Service Listed Companies — TOP 10	Beijing China Index Academy (北京中指信息技術研究院)
20 May 2022	2022 Non-Residential Property Service of China Property Service Listed Companies — TOP 3	Beijing China Index Academy (北京中指信息技術研究院)
20 May 2022	2022 China Listed Companies in terms of Property Service Scale — TOP 9	Beijing China Index Academy (北京中指信息技術研究院)
26 May 2022	2022 TOP 20 Listed Company of Property Management Service — TOP 12	Shanghai E-house Real Estate Research Institute CRIC Property Management (克而瑞物管)
26 May 2022	2022 Leading Enterprise Development Speed TOP 5 of Listed Property Companies	Shanghai E-house Real Estate Research Institute CRIC Property Management (克而瑞物管)
26 May 2022	2022 Leading Enterprise Development Potential TOP 5 of Listed Property Companies	Shanghai E-house Real Estate Research Institute CRIC Property Management (克而瑞物管)
21 July 2022	Asian Enterprises with Social Responsibility — Green Leadership Prize	Enterprise Asia
21 July 2022	Asian Enterprises with Social Responsibility — Corporate Governance Prize	Enterprise Asia

Year	Award	Institution
28 July 2022	Special Contribution Award	Guangdong Property Management Industry Institute
29 July 2022	TOP 10 Enterprises in terms of High-end Property Services Capabilities in 2022	Shanghai E-house Real Estate Research Institute CRIC Property Management (克而瑞物管)
29 July 2022	TOP 20 Commercial Property Management Companies in terms of Services Capabilities in 2022	Shanghai E-house Real Estate Research Institute CRIC Property Management (克而瑞物管)
9 August 2022	2022 Influential Property Management Companies	Guandian Index Academy
16 September 2022	TOP 14 Property Management Companies in China in terms of Comprehensive Strength in 2022	EH Consulting
16 September 2022	Listed Property Management Companies in China in 2022 — TOP 12	EH Consulting
16 September 2022	2022 Model Enterprises of Customer Satisfaction of China Property Service	EH Consulting
16 September 2022	2022 Leading Property Management Companies in terms of Brand Value in China	EH Consulting
16 September 2022	2022 China Property Management Companies with Excellent Growth Potential	EH Consulting
16 September 2022	2022 Competitive Leading Property Management Companies in South China	EH Consulting
16 September 2022	2022 Leading Property Management Companies in terms of Public Property Services in China	EH Consulting
16 September 2022	2022 TOP 10 Long-term Investment Value of Listed Property Companies in China	EH Consulting
1 November 2022	2022 TOP 500 China's Property Service Companies with Comprehensive Strengths — TOP 13	CRIC Property Management (克而瑞物管), China Property Management Research Institution
1 November 2022	2022 TOP 100 Brand Value of China Property Service Enterprises	CRIC Property Management (克而瑞物管), China Property Management Research Institution

Year	Award	Institution
1 November 2022	TOP 30 China Property Management Brands and Companies in South China in 2022	CRIC Property Management (克而瑞物管), China Property Management Research Institution
1 November 2022	2022 China's Leading Residential Property Service Enterprise	CRIC Property Management (克而瑞物管), China Property Management Research Institution
1 November 2022	2022 China's Leading Smart Property Services Companies	CRIC Property Management (克而瑞物管), China Property Management Research Institution
22 November 2022	TOP 100 Property Management Enterprises of Guangdong-Hong Kong-Macao Greater Bay Area in 2022	CRIC Property Management (克而瑞物管), China Property Management Research Institution
22 November 2022	TOP 10 Enterprises of Residential Property Service of Guangdong-Hong Kong-Macao Greater Bay Area in 2022	CRIC Property Management (克而瑞物管), China Property Management Research Institution
22 November 2022	TOP 10 Enterprises of Urban Services of Guangdong-Hong Kong-Macao Greater Bay Area in 2022	CRIC Property Management (克而瑞物管), China Property Management Research Institution
30 November 2022	2021 Corporate Culture Excellent Corporate Brands	The Second National Human Resources Innovation Competition
15 December 2022	TOP 20 Super Service Capability of China Property Enterprises in 2022	2022 Super Product Innovation Conference
15 December 2022	2022 China's Leading Property Services Companies in terms of Employer Brand Influence	2022 Super Product Innovation Conference
26 December 2022	2022 Property Management Companies with Comprehensive Development Strength in Guangdong	Guangdong Property Management Industry Institute
26 December 2022	2022 Guangdong-Hong Kong-Macao Greater Bay Area Property Services Brand Enterprises	Guangdong Property Management Industry Institute
26 December 2022	2022 Anti-Pandemic Pioneer Enterprises	Guangdong Property Management Industry Institute
27 December 2022	2022 Excellent Learner Enterprises	Guangzhou Property Management Association

Chairman's Statement

We will continue to advance the service capability of business diversity in cities, focus on constructing economic ecology with partners, and stress on the continuous optimization of customer service experience. By providing customers with a more "Intelligent and Pleasant" experience, KWG Living will move from full business coverage to full ecological operation, creating sustainable value for Shareholders.

Dear Shareholders,

Thanks for your continued support for the Group's development, I am pleased to present the business review and outlook of the Group for the year ended 31 December 2022.

In 2022, the international political and economic environment was complicated and the COVID-19 pandemic broke out in multiple places, and countries around the world faced different challenges. With the normalisation of the pandemic, property management enterprises have accelerated their integration into grassroots governance and become an imperative part of the prevention and control system. A large number of ordinary employees of property management enterprises took the responsibility of prevention and control to protect the lives and properties of customers and property owners in the face of the pandemic.

With the extension of the value chain of the real estate industry, it has become a trend for property management enterprises to release the value of multiple sectors. In addition, many property management enterprises have gradually expanded into new fields such as urban services. There are corresponding plans and policy guidance and support from the PRC Government, such as the "14th Five-Year Plan" that affirms the importance of property management enterprises as part of urban governance and life services. During the year ended 31 December 2022, the Ministry of Housing and Urban-Rural Development and the State Administration for Market Regulation also issued documents to provide guidance for further standardisation of urban service-related businesses, which not only made room for the industry for further development, but also raised higher market requirements and service standards for enterprises.

Despite the extremely challenging market environment during the year ended 31 December 2022, the Group actively undertook social responsibilities, assisted customers and the government in resuming work and production, overcome difficulties, and achieved steady and high-quality development. During the year ended 31 December 2022, the Group achieved a revenue of approximately RMB4,025.7 million, representing an increase of 23.7% as compared with the corresponding period in 2021. Meanwhile, with the continuous enrichment of the Group's business coverage and the continuous improvement of management efficiency, the Group achieved a gross profit of approximately RMB1,240.6 million and a core net profit of approximately RMB564.6 million.

While continuing to consolidate the cornerstone businesses such as property management services and commercial operational services, the Group also accelerated the extension of industrial and ecological layout and was able to further expand its service content and scale, while serving customers and fulfilling the transformation and upgrade of urban management. As of 31 December 2022, the Group has established presence in 132 cities across 21 provinces, autonomous regions and municipalities in China, with GFA under management and contracted GFA of 215.5 million square meters ("**sq.m.**") and 287.0 million sq.m., respectively. Among them, the GFA under management of third-party projects reached 189.7 million sq.m., accounting for 88.0% of the total GFA under management, and the independence and brand appeal were further enhanced.

1. Multi-licensing and full ecological presence to achieve high-quality development

As a result of the weak market environment of the incremental real estate market, the Group has actively deployed strategies, accelerated the expansion of its business and industrial layouts, and deeply explored new business opportunities in non-residential property management segment. In January 2022, the Group acquired Guangdong Telijie Environment Engineering Co., Ltd. (廣東特麗潔環境工程有限公司) ("**Guangdong Telijie**") to participate in the urban service sector. As of 31 December 2022, the Group rapidly integrated its market expansion with a gross increase of GFA under management of over 29.7 million sq.m., of which residential properties accounted for 51.5% and non-residential properties accounted for 48.5%, achieving growth under the weak cycle of the real estate industry through a balanced business portfolio.

After years of market-oriented development and multi property types deployment, the Group possesses differentiated qualifications and certifications, which have formed competitive barriers and advantages with professional qualifications and certifications corresponding to services, such as property management, sanitation cleaning, landscaping, aerial work, municipal sanitation, medical waste treatment and waste disposal etc. With the establishment of professional capabilities, the Group will not only be able to increase the breadth of coverage of various business segments, but also be able to explore the depth of service content, strengthen the full-cycle service advantages, and enhance the professionalism and influence of various brands under various business segments.

During the year ended 31 December 2022, the Group incubated the city empowerment system of "Enjoy Life in Wonderful Cities", comprehensively integrated the advantages of its business segments, and built a smart and integrated urban operation and life service system to realise from serving "property" to serving "city". Leveraging on the Group's brand empowerment, financial support and management upgrade, its city service brand, Guangdong Telijie, has expanded from Guangdong Province to other parts of the country. It has entered the city service markets of Henan Province, Guangxi Province and Sichuan Province, and continued to penetrate the Greater Bay Area. Among them, the water sprinkling settlement project in the key area of Daliang Street, Shunde is the first benchmark project in Shunde District for all vehicles using environmentally friendly new energy vehicles, helping to build an "intelligent" and "efficient" service system and create a zero-waste city.

2. Integrating member companies and regional penetration to build strong endogenous capacity

The property management industry has experienced several rounds of acceleration in the past, and the market has gradually moved toward stage of deeper integration. Through the construction of a smart operation and management platform, the Group optimised the authorization system, shared middle and back office resources, realised the internal management system, integrated all-round resources, and improved the operating efficiency of member companies. At the same time, the Group sorted out and formulated a cross-brand market expansion mechanism, facilitated resource sharing among member companies, standardised the operation process with the mechanism, innovated the cooperation model, and polished all-round capabilities such as professional skills of personnel, road shows and tender proposals. Meanwhile, it fully empowered the member companies in terms of licensing, brand building, and benchmark project creation, significantly improving their market competitiveness.

The Group tenders bids for a number of commercial, hospital, public property, government authority, and other business projects during the year ended 31 December 2022. Leveraging on its existing commercial properties and operational advantages, the Group developed projects such as Shanghai Jiayu Yunjing, Shaoxing Zhongfu Building and Shanghai Yongye Shopping Centre successfully. Leveraging the advantages of deep cultivation in special areas, the Group successfully renewed projects such as Guangzhou Women and Children Medical Centre and Foshan Nanhai

Women and Children Hospital. In addition, the Group successfully expanded the hospital sector such as Dinghai Guanghua Hospital and Dinghai Guanghua Nursing Home. The Group forged ahead to break through the gap in the field of public transportation and successfully built public properties such as Nanning Metro Line 5 and Pu'er Railway Station. As a result of the demonstration effect of existing projects and high customer satisfaction, the Group has successfully expanded into the government authority sector, such as the Guangzhou General Station of Exit and Entry Frontier Inspection and the Shanghai Jiading District Office Complex.

In the meantime, the Group adhered firmly to its established strategies, continued to invest in developing cities, further developed its own projects, and expanded its scale and density in the region. Taking Shanghai Yinwan Management Co., Ltd. ((上海銀灣管理有限公司), "**Yinwan**"), a subsidiary of the Group, as an example, its projects are concentrated in Guangxi, Jiangxi, Jiangsu and Zhejiang regions, and are widely replicated to surrounding projects with its own projects as the starting point, resulting in the expansion of a number of residential and office buildings. Meanwhile, the Group also enhanced its regional density, consolidated its existing advantages in existing regions and broadened its business segments. Taking Shanghai Shenqin Property Management Service Co., Ltd. ("**Shanghai Shenqin**") a public service brand under the Group, as an example, Shanghai Advanced Technical School debuted during the pandemic. With its professional services, the project was well-regarded and opened up the college market. The Group also succeeded in developing projects such as Shanghai Industrial and Commercial Information School during the year ended 31 December 2022.

3. Seizing the opportunity of consumption recovery, improving quality and efficiency for promoting operation

Changes in a century accelerated in 2022, long-term effect of the COVID-19 pandemic and the global trade and economic situation did not promise an optimistic outlook. China's economic recovery was under the dual pressure of supply-demand imbalance and expected weakening of consumption power. The growth of domestic residents' income has slowed down and preventive savings tend to be high. The pandemic prevention and control have entered a new phase, there are opportunities for consumption recovery in the market. China's ultra-large-scale market advantages and the characteristics of domestic demand dominating the national economic cycle have gradually emerged. The retail value of consumer goods in China has a relatively large gap as compared with that before the pandemic, which is urgently needed to be made up. By actively seizing the favourable opportunity of consumption recovery, the Group innovated the consumption scenarios, actively upgraded the brand and adjusted the business portfolio, improved the quality and efficiency of operations, and actively reserved the potential for business recovery.

With the rise of the middle-class population, Generation Z and the new aging population, the Group seized the growth opportunities under the trend and laid out its shopping malls in advance. At the retailing end, the Group will match the main customer groups of the project, introduce iconic brands, and reinforce the memory of consumers for the project. On the catering side, the Group seized the trend of chains and diversified categories, and optimised the brand to stimulate consumption among the consumer groups in surrounding areas. In terms of life and supporting facilities, in line with increasing consumers' awareness on health, pets, mental health and the silver economy, etc. in the post-pandemic era, the Group aspired to meet people's needs and desire for a better life in advance. Guangzhou Knowledge City U Fun began operations on schedule and with high quality during the year. As the first commercial project of over 100,000 sq.m. in Knowledge City, the project creates scenario power with a unique scenario atmosphere, builds commercial power with differentiated brand certification, and creates innovation with a localised activity experience.

In 2022, under the situation of recurring pandemic outbreaks, the Group continued to help customers resume work and production and return to the physical office scene. In response to the changes in customers' needs, the Group's office buildings not only meet the protection needs of customers' life, health and safety, but also maintain solid operations and strive for the preservation and appreciation of assets, so as to achieve sustainable operation and risk resistance of assets under different economic cycles. At the same time, the Group's office buildings actively optimised the structure of customer groups in accordance with national policies and industrial changes, targeted high-quality customers, deployed in advance and actively met the diverse needs of potential customers. During the year ended 31 December 2022, a number of well-known corporate customers from emerging industries such as finance, 5G communication and intelligent technology industries entered the market, laying a new growth point for the Group's business development.

4. Returning to the essence of property services and refining management and control

The market environment is constantly changing but the genes of property services remain unchanged. The Group adheres to the lifeline of service quality, continues to invest in hardware, continues to optimise soft services, and implements dynamic management and control with refined operation capabilities to achieve operational efficiency with digital escort. During the year ended 31 December 2022, in terms of intelligent services and technology enhancement, the Group accelerated the construction of a smart community platform, and collaborated with partners in the technology ecosystem to enrich digital touchpoints at the front end, quantify and improve efficiency at the centre, promote organisational reform, and achieve business closed-loop at the back end.

At the organisational level, the Group adhered to its core values, focused on strengthening its internal skills and continued to promote organisational optimisation. The Group will refine its headquarters, strengthen its regional operations, and specialise in projects, while it will focus on nurturing expert talents and building a virtual team at headquarters. It optimises regional authorization, streamlines administration and delegate powers, and improves management capabilities. In terms of projects, the Group will improve the service capabilities of personnel, and activate the momentum of business innovation and revenue generation. Taking butlers as an example, the Group relies on the digital learning platform to consolidate its business capabilities, build a hierarchical training mechanism for professional butlers, senior butlers and experienced butlers, explore the backbone strength of reserve, focus on cultivating and retaining high-quality talents, and realise the inheritance of business capabilities and culture. During the year ended 31 December 2022, such training covered more than 4000 front-line employees and more than 10 live lectures, covering more than 2,000 employees.

At the business level, the Group is firmly committed to improving efficiency with intelligence. Through the intelligent launch of project work orders, front desk personnel are empowered to improve their per capita management efficiency. For specific business needs, the Group upgraded technologies, optimised processes and innovated management practices to ensure stable operation and management efficiency. In terms of the industrial chain, the Group explores partners and new business opportunities with upstream and downstream suppliers to achieve value-adding and revenue-generating.

5. Future Outlook

As the Group continues to grow and expand its business portfolio, it has a strong market position and clear strategies. In 2023, the Group will continue to consolidate the rigid residential market, deepen the development of high-end residential and commercial markets, expand the market share of non-residential property business, accelerate the urban service sector layout, increase the market share in core areas, and strengthen the penetration rate in core sub-segments. In particular, the Group will further integrate public service and urban services businesses, seize development opportunities, actively seek high-quality market opportunities, polish urban service products, and maintain the healthy growth of the business.

The Group also adheres to the long-term principle with the goal of maximising long-term value. In 2023, the Group will continue to deepen its digital transformation and upgrade its intelligent operation and management platform, achieve self-driven business, manpower efficiency enhancement and empowerment of business, and achieve improvement in both service quality and operating efficiency.

Management Discussion and Analysis


奇妙魔力悠乐园
VOGO

Business Review

Overview

We are a comprehensive smart service operator in China with sound reputation and quality development. In 2022, thanks to our forward-looking and comprehensive business strategy, fast-growing non-residential property management services and specialised brand positioning, we were awarded the titles of the "2022 China Listed Companies in terms of Property Service Scale TOP 9", "2022 Non-Residential Property Service of China Property Service Listed Companies TOP 3" and "2022 Property Enterprise Service Excellence TOP 8" by China Index Academy and Guandian Index Academy.

As at 31 December 2022, the Group provided property management services, commercial operational services and value-added services in 132 cities in China, with a contracted GFA of approximately 287.0 million sq.m. and GFA under management of approximately 215.5 million sq.m. The Group's operations cover a variety of properties, including management services for residential and non-residential properties (such as office buildings, shopping malls, schools, government buildings, hospitals and urban services), commercial operational services and related value-added services.

Upholding the philosophy of "Enjoy Life Everywhere", we strive to provide an all-round and attentive professional property management services to our customers, and develop product and service systems that cater for different customer portfolios and different segments. In connection with the residential property projects, we forge four major product systems, namely "Zhen Service (臻享)", "Jun Service (駿享)", "Ning Service (寧享)" and "You Service (悠享)", to provide customers with a more secured, comfortable and assured experience in residential property management services. For commercial operational projects, we focus our efforts on establishing our shopping mall brand system mainly based on the brand names of "Ufun", "M • CUBE" and "Ufun Walk", and our office building brand system with "ifp", "imp" and "icp" as the signature brands at the prime locations in first-tier and second-tier cities. During the year ended 31 December 2022, the Group's strengths in product, service and brand received market recognition and the honour of "TOP 14 Property Management Companies in China in terms of Comprehensive Strength in 2022" from EH Consulting.

Business Model

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

Residential property management services

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

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

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

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

Non-residential property management and commercial operational services

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

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

- property management services such as file management, cleaning, security, gardening and repair and maintenance services provided to property owners or tenants. The Group charges property management fees for such services. In particular, non-residential property management services can be categorised into the following by business segment;

  — property management services for commercial properties: the Group charges property management fees for property management services provided to commercial properties (including shopping malls and office buildings);

  — public property services and urban services: the Group charges corresponding management fees for property management services provided to public properties (including schools, hospitals, government authorities, industrial parks and transportation hubs) and for urban cleaning services provided to urban spaces (including urban roads and rivers);

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

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

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

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Residential property management services				
Pre-sale management services	**260,427**	**6.5**	383,669	11.8
Property management services	**1,283,538**	**31.9**	948,241	29.1
Community value-added services	**331,160**	**8.2**	604,681	18.6
Sub-total	**1,875,125**	**46.6**	1,936,591	59.5
Non-residential property management and commercial operational services				
Pre-sale management services	**31,397**	**0.8**	30,218	0.9
Property management services				
— Commercial properties	**414,443**	**10.3**	388,765	11.9
— Public property and urban area	**1,451,834**	**36.1**	668,488	20.6
Commercial operational services	**134,455**	**3.3**	133,860	4.1
Other value-added services	**118,457**	**2.9**	97,524	3.0
Sub-total	**2,150,586**	**53.4**	1,318,855	40.5
Total	**4,025,711**	**100.0**	3,255,446	100.0

Business Growth

Thanks to the growth strategies of "focus on key regions + expansion of third-party projects + service extension", the business scale and comprehensive operational capabilities of the Group realized high-quality growth. We firmly focused on key regions with large market potential and abundant customer resources and fully explored market segments. New expansion projects in first-tier and second-tier cities accounted for 71.3% of the GFA under management of total new expansion projects. Thanks to the Group's market reputation and service capabilities, as of 31 December 2022, the Group's third-party projects accounted for 88.0% of the GFA under management, further demonstrating its marketisation capabilities.

Expansion to the independent third-party market is an important development strategy of the Group. During the year, the Group managed to continue expanding the third-party market by virtue of its high-quality services, professional marketing team, wide service coverage, diversified channels and good standing and reputation. During the year ended 31 December 2022, 235 new third-party projects were obtained with an additional GFA of 27.3 million sq.m.

In 2022, thanks to our outstanding service quality in residential property management and brand influence, we secured premium residential projects such as Eldo Garden (銀都花園). Meanwhile, benefiting from our integrated commercial property management service and operation capabilities, we obtained prime commercial projects such as Shanghai Jiayu Yunjing (上海嘉譽雲景), Shaoxing Zhongfu Building (紹興中富大廈) and Shanghai Yongye Shopping Centre (上海永業購物中心). Owing to our professional, refined and standardised service capacities in the public property sector, we were granted premium public property projects such as Dinghai Guanghua Hospital (定海廣華醫院), Dinghai Guanghua Nursing Home (定海廣華頤養院), Nanning Metro Line 5 (南寧地鐵5號線), Pu'er Railway Station (普洱高鐵站), Guangzhou General Station of Exit and Entry Frontier Inspection (廣州出入境邊防檢查總站) and Shanghai Jiading Office Complex (上海嘉定區綜合辦公樓).

Under the guidance of national policies, the property management industry has gradually extended in the direction of smart urban management, resulting in increasing market potential. The Group incubated the urban empowering system of "Enjoy Life in Wonderful Cities", shifting its service targets from "properties" to "cities". During the year, the Group seized market opportunities and followed the calls of policies to expand our service offerings to urban services. Our urban service brand Guangdong Telijie continued to explore the market in the Greater Bay Area and expanded its coverage from Guangdong to the whole country by entering the urban service markets in Henan, Guangxi and Sichuan provinces.

Residential Property Management Services

Overview

The Group provides management services for the residential properties developed by KWG Group Holdings Limited ("**KWG Holdings**") and its subsidiaries (collectively "**KWG Group**") and the residential properties developed by the third-party property developers. During the year, the Group has actively expanded its business scale through expansion of third-party services, and mergers and acquisitions to provide property management services to an increasing number of residential properties developed by third-party property developers. As of 31 December 2022, the GFA under the management of third-party residential properties accounted for 80.1% of the total GFA under management of residential properties, representing a year-on-year increase of 1 percentage point, the further improvement of marketisation capability has empowered the robust development of the Group's property management scale. During the year ended 31 December 2022, the Groups's revenue from the residential property management service segment decreased to approximately RMB1,875.1 million from approximately RMB1,936.6 million for the last year, representing a year-on-year decrease of 3.2%.

Growth in Scale of Residential Property Management Services Portfolio

As at 31 December 2022, the Group's contracted GFA of residential properties was approximately 154.7 million sq.m., representing an increase of 6.0% as compared to that as at 31 December 2021. As at 31 December 2022, GFA under management of residential properties was approximately 108.5 million sq.m., representing an increase of 9.4% as compared to that as at 31 December 2021.

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

	Year ended 31 December			
	2022		2021	
	Aggregate contracted GFA ('000 sq.m.)	**GFA under management ('000 sq.m.)**	Aggregate contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
At the beginning of the year	**145,940**	**99,234**	39,371	29,121
New additions	**8,715**	**9,302**	106,569	70,113
At the end of the year	**154,655**	**108,536**	145,940	99,234

Geographic Presence of Residential Property Management Services Portfolio

During the year ended 31 December 2022, the Group continued to focus on its residential property management services, concentrated on its existing advantageous region, replicate successful project experience in surrounding areas and optimised its national geographic presence. As of 31 December 2022, the Group managed a total of 836 residential properties.

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

	Year ended 31 December					
	2022			2021		
	Revenue (RMB'000)	**%**	**GFA under management ('000 sq.m.)**	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)
Greater Bay Area	**804,068**	**42.9**	**24,607**	721,521	37.2	24,666
Yangtze River Delta[(1)]	**349,496**	**18.6**	**28,168**	520,471	26.9	21,875
Midwest China and Hainan[(2)]	**632,450**	**33.7**	**52,163**	553,942	28.6	49,220
Bohai Economic Rim[(3)]	**89,111**	**4.8**	**3,598**	140,657	7.3	3,473
Total	**1,875,125**	**100.0**	**108,536**	1,936,591	100.0	99,234

Notes:

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

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

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

Non-residential Property Management and Commercial Operational Services

Overview

The Group provides property management services to non-residential properties, including commercial properties and public property and urban area, as well as commercial operational services to commercial properties, including office building and shopping malls. In 2022, revenue from non-residential property management and commercial operational service segment amounted to RMB2,150.6 million, representing a significant year-on-year increase of 63.1%, and accounted for 53.4% of the Group's total revenue, up by 12.9 percentage points as compared with last year. Benefiting from the Group's increasingly strong marketization capability, as of 31 December 2022, the Group's GFA under management of third-party non-residential properties accounted for 96.1% of the total GFA under management of non-residential properties.

As for commercial property management and operation sector, the Group provides property management services to 235 shopping malls and office buildings, and provides commercial operational services to 21 shopping malls and office building projects. With a highly recognizable brand, digital operation capabilities and integrated management service capabilities, the Group continued to explore the market potential in commercial operations and property services.

As for public facilities and urban services sector, the Group provides property management and urban services to 934 projects. With the differentiated brands and high barriers in qualification, the Group promoted market expansion by offering benchmark projects and sharing channels and resources with member companies to deeply tap the potential for project acquisition, and has established a national presence and leading advantage in all-round business sectors such as universities, hospitals, government properties, urban public facilities, rail and transportation properties.

Growth in Scale of Non-residential Property Management Services Portfolio

As at 31 December 2022, the Group's contracted GFA of non-residential properties was approximately 132.3 million sq.m., representing an increase of 0.3% as compared to that as at 31 December 2021. As at 31 December 2022, GFA under management of non-residential properties was approximately 106.9 million sq.m., representing an increase of 0.1% as compared to that as at 31 December 2021.

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

	Year ended 31 December			
	2022		2021	
	Aggregate contracted GFA ('000 sq.m.)	**GFA under management ('000 sq.m.)**	Aggregate contracted GFA ('000 sq.m.)	GFA under management ('000 sq.m.)
At the beginning of the year	**131,946**	**106,882**	14,043	12,450
New additions	**374**	**60**	117,903	94,432
At the end of the year	**132,320**	**106,942**	131,946	106,882

Geographic Presence of Non-residential Property Management Services Portfolio

During the year ended 31 December 2022, the Group continued to focus on its non-residential property management and commercial operational services business, optimised its business in advantageous regions, and established its presence in regions with high growth potential. As of 31 December 2022, non-residential properties managed were located in major cities such as Beijing, Shanghai, Guangzhou, Chengdu and Suzhou. As of 31 December 2022, there were 1,169 non-residential properties under the management of the Group.

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

	Year ended 31 December					
	2022			2021		
	Revenue (RMB'000)	**%**	**GFA under management ('000 sq.m.)**	Revenue (RMB'000)	%	GFA under management ('000 sq.m.)
Greater Bay Area	**999,739**	**46.5**	**50,977**	625,965	47.5	51,848
Yangtze River Delta[1]	**614,214**	**28.5**	**27,073**	300,977	22.8	26,170
Midwest China and Hainan[2]	**265,789**	**12.4**	**10,486**	259,884	19.7	10,492
Bohai Economic Rim[3]	**270,844**	**12.6**	**18,406**	132,029	10.0	18,372
Total	**2,150,586**	**100.0**	**106,942**	1,318,855	100.0	106,882

Notes:

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

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

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

FINANCIAL REVIEW

Revenue

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

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

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Residential property management services	**1,875,125**	**46.6**	1,936,591	59.5
Non-residential property management and commercial operational services	**2,150,586**	**53.4**	1,318,855	40.5
Total	**4,025,711**	**100.0**	3,255,446	100.0

Residential Property Management Services

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

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**260,427**	**13.8**	383,669	19.8
Property management services	**1,283,538**	**68.5**	948,241	49.0
Community value-added services	**331,160**	**17.7**	604,681	31.2
Total	**1,875,125**	**100.0**	1,936,591	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment decreased from approximately RMB383.7 million in 2021 to approximately RMB260.4 million in 2022. Such decrease was primarily due to the decrease in the number of sales offices under the Group's management as a result of the COVID-19 pandemic.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB948.2 million in 2021 to approximately RMB1,283.5 million in 2022. Such increase was primarily due to the increase in the Group's GFA under management for residential properties from approximately 99.2 million sq.m. as at 31 December 2021 to approximately 108.5 million sq.m. as at 31 December 2022, resulting from the increase in the number of residential property projects under management from 801 as at 31 December 2021 to 836 as at 31 December 2022.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment decreased from approximately RMB604.7 million in 2021 to approximately RMB331.2 million in 2022. This decrease was primarily due to the delayed progress of certain community valued-added services as a result of the COVID-19 pandemic.

Non-residential Property Management and Commercial Operational Services

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

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
Pre-sale management services	**31,397**	**1.4**	30,218	2.3
Property management services	**1,866,277**	**86.8**	1,057,253	80.2
Commercial operational services	**134,455**	**6.3**	133,860	10.1
Other value-added services	**118,457**	**5.5**	97,524	7.4
Total	**2,150,586**	**100.0**	1,318,855	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment slightly increased from approximately RMB30.2 million in 2021 to approximately RMB31.4 million in 2022. This increase was primarily due to the increase in the number of sales offices of non-residential properties under the Group's management.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB1,057.3 million in 2021 to approximately RMB1,866.3 million in 2022. This increase was primarily due to the increase in the Group's GFA under management for public properties and urban area.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB133.9 million in 2021 to approximately RMB134.5 million in 2022. Such increase was mainly due to the increase in preliminary planning and consultancy services and tenant souring services provided by the Group in 2022.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB97.5 million in 2021 to approximately RMB118.5 million in 2022. The increase was primarily due to the increase in business diversification of the Group.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2022, the total cost of sales of the Group was approximately RMB2,785.2 million, which was increased by approximately RMB755.9 million or 37.2% as compared to approximately RMB2,029.3 million for the year ended 31 December 2021. The increase was primarily due to the increase in relevant costs in response to an increase in revenue and changes in our business portfolio. The Group's growth of the cost of sales was higher than that of revenue, primarily because of the increase in proportion of public service which is more market-oriented and with lower gross profit margin.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2022, the gross profit of the Group increased by approximately RMB14.5 million or 1.2% to approximately RMB1,240.6 million in 2022 from approximately RMB1,226.1 million in 2021. The Group reported gross profit margin of 30.8% for the year ended 31 December 2022 (2021: 37.7%). As discussed above, the decrease in gross profit margin was mainly attributable to the changes in our business portfolio.

Other Income and Gains

The other income and gains of the Group increased by approximately RMB57.6 million or 216.5% to approximately RMB84.2 million in 2022 from approximately RMB26.6 million in 2021, and mainly comprised interest income, tax incentive on value-added tax and government grants of approximately RMB28.2 million, RMB23.4 million and RMB15.8 million, respectively.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB542.8 million, which increased by approximately RMB209.6 million or 62.9% as compared to approximately RMB333.2 million for the year ended 31 December 2021. Such increase was mainly due to the Group's business expansion.

Other Expenses, Net

For the year ended 31 December 2022, other expenses of the Group increased by approximately RMB611.4 million or 2,681.6% to approximately RMB634.2 million in 2022 from approximately RMB22.8 million in 2021, and mainly comprised impairment losses on trade receivables and impairment losses on goodwill of approximately RMB435.6 million and RMB143.4 million, respectively. The increase was primarily due to the increase in impairment losses made by the Group for trade receivables, based on the principle of prudence, as compared to that for the year ended 31 December 2021, taking into consideration the change in the credit risk resulting from the continuous downturn of the real estate industry during the year ended 31 December 2022. Due to the significant changes in real estate and property management market environment in 2022, the Group recorded appropriate impairment provisions on goodwill arising from acquisitions, based on the principle of prudence in current year.

Income Tax

For the year ended 31 December 2022, the income tax of the Group was approximately RMB63.6 million (2021: approximately RMB208.4 million). The decrease was primarily due to the decrease in taxable income.

Financial Position and Capital Structure

Total Assets, Total Liabilities and Current Ratio

As at 31 December 2022, the total assets of the Group was approximately RMB6,944.7 million (as at 31 December 2021: approximately RMB5,002.1 million), and the total liabilities was approximately RMB3,516.2 million (as at 31 December 2021: approximately RMB1,486.2 million). As at 31 December 2022, the current ratio of the Group was 1.48 (as at 31 December 2021: 1.89).

Cash and Cash Equivalents

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB1,847.5 million, representing an increase of approximately 49.8% as compared with approximately RMB1,233.6 million as at 31 December 2021. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB0.7 million and approximately RMB0.3 million which were denominated in Hong Kong dollar and United States dollar, respectively.

Borrowings and Charges on the Group's Assets

As at 31 December 2022, the Group's total borrowings were approximately RMB551.6 million. Amongst which, approximately RMB174.2 million will be repayable within 1 year and approximately RMB377.3 million will be repayable between 2 and 5 years. The Group's bank and other loans were secured by trade receivables and property, plant and equipment of the Group with total carrying value of approximately RMB89.4 million, and equity interest of a subsidiary of the Group. The carrying amounts of all the Group's bank and other loans were denominated in RMB. All of the Group's bank and other loans were charged at floating interest rates except for loan balance of approximately RMB511.5 million which were charged at fixed interest rates as at 31 December 2022.

As at 31 December 2021, the Group did not have any outstanding borrowings.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2022 amounted to approximately RMB2,052.4 million, representing an increase of approximately RMB990.4 million or 93.3% as compared to approximately RMB1,062.0 million as at 31 December 2021.

Trade Payables

The Group's trade payables as at 31 December 2022 amounted to approximately RMB575.4 million representing an increase of approximately RMB329.6 million or 134.1% as compared to approximately RMB245.8 million as at 31 December 2021.

Gearing Ratio

The Group gearing ratio is calculated by dividing the net debt (total debt net of cash and cash equivalents and restricted cash) by total equity. As the Group was in a net cash position as at 31 December 2022 and 2021, the gearing ratio was not applicable to the Group.

Contingent Liabilities

As at 31 December 2022 and 2021, the Group did not have any material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the year ended 31 December 2022, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

Corporate Governance

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company (the "**Shareholders**") and to enhance corporate value and accountability. During the year ended 31 December 2022, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code (the "**CG Code**") as set out in Appendix 14 to the Rules (the "**Listing Rules**") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), save for the deviation for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Code provision C.1.6 of Part 2 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision F.2.2 of Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a Non-executive Director and the Chairman, was unable to attend the annual general meeting of the Company held on 2 June 2022, due to his other engagements.

Corporate Culture

The Board leads to establishing the corporate culture and acts with integrity, leads by example, and is committed to promoting the desired corporate culture of the Company. The Company's corporate culture instils all levels of the Group and continually reinforces the philosophy of "acting lawfully, ethically and responsibly", as well as aligns with the Company's mission, corporate values and strategies.

More details about the Company's vision, mission, corporate values and strategies, are set out in the section headed "Management Discussion and Analysis" in this annual report and available on the Company's website under "Corporate Culture" section.

Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its own code of conduct regarding securities transactions of the directors of the Company (the "**Directors**"). In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2022.

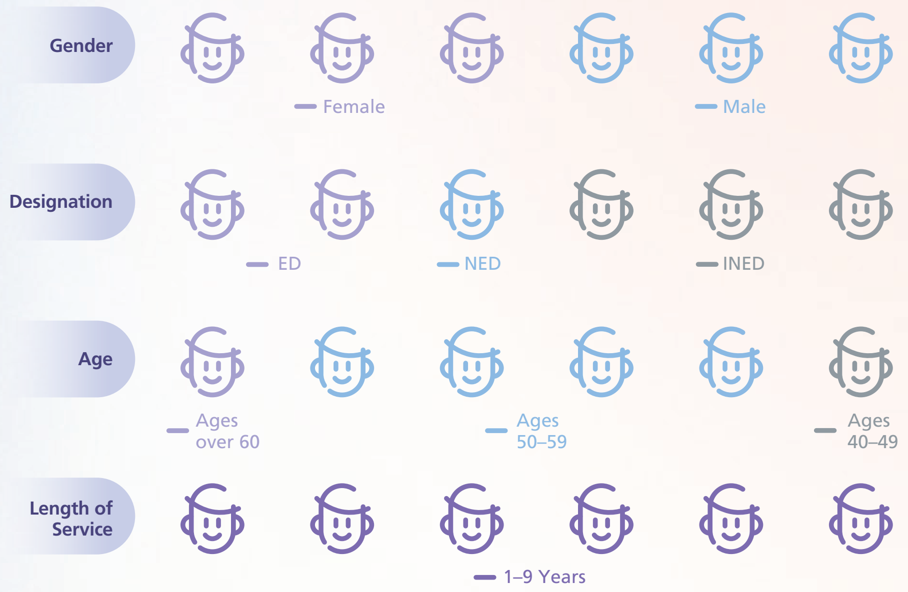
Board of Directors

The board of Directors (the "**Board**") is in charge of the task of maximizing the financial performance of the Company and making decisions in the best interest of the Company. The Board is also responsible for formulating business policies and strategies, directing and supervising management of the Group, adopting and monitoring internal business and management control, approving and monitoring annual budgets and business plans, reviewing operational and financial performance, considering dividend policy, reviewing and monitoring the Company's systems of financial control and risk management. The Board has delegated the day-to-day management, administration and operation of the Group and implementation and execution of Board policies and strategies to the Executive Directors and management of the Company. All Directors have full and timely access to all relevant information in relation to the Group's businesses and affairs as well as unrestricted access to the advice and services of the Company Secretary.

Board Composition

As at the date of this annual report, the Board comprises Mr. KONG Jianmin *(Chairman)* as Non-executive Director; Mr. KONG Jiannan *(Chief Executive Officer)* and Ms. YANG Jingbo as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors. Messrs. KONG Jianmin and KONG Jiannan are brothers. Save as disclosed above, there is no family or other material relationship among the members of the Board.

An analysis of the Board's current composition is set out in the following chart:



The biographical details of the Directors (including relationships among members of the Board), are set out in the section headed "Biographical Information of Directors and Senior Management" in this annual report and available on the Company's website.

Board Diversity

The Company has adopted a board diversity policy. Selection of board candidates will be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience and qualification, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Board has reviewed the implementation of, and confirmed the effectiveness of, its board diversity policy for the year ended 31 December 2022.

The Board believes that the balance between Executive and Non-executive Directors (including the Independent Non-executive Directors) is reasonable and adequate to provide sufficient checks and balances that safeguard the interests of the Shareholders and the Group. The views and participation of the Non-executive Director and Independent Non-executive Directors in the Board and committee meetings provide independent judgment and advice on the issues relating to the Group's strategy, performance, conflict of interest and management process to ensure that the interests of the Shareholders are considered and safeguarded. The Board considers that each of the Non-executive Director and Independent Non-executive Directors brings his/her own relevant expertise to the Board.

The Company currently has three Independent Non-executive Directors, representing more than one-third of the Board and at least one of them has appropriate professional qualifications or accounting or related financial management expertise. They have provided the Board with their diversified expertise, experience and professional advice.

The Board also recognizes the particular importance of gender diversity. Our Board currently comprises three female Directors and three male Directors. In addition, we maintain a 47:53 ratio of females to males in the workforce (including the senior management of the Group) as of 31 December 2022. The Board considers that gender diversity in respect of both the Board and the workforce has been achieved. For details on our process of employees recruitment and management, please refer to our Environmental, Social and Governance Report.

Board Independence

The Board has established mechanisms to ensure independent views and input are available to the Board. The Board shall ensure the appointment of at least three Independent Non-executive Directors and at least one-third of the Board, with at least one of them having appropriate professional qualifications or accounting or related financial management expertise, whilst the Nomination Committee strictly adheres to the Nomination Policy in respect of the nomination and appointment of Independent Non-executive Directors. The Independent Non-executive Directors will also be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views are available.

All Directors (including Independent Non-executive Directors) are entitled to seek further information from the management on the matters to be discussed at Board meetings and, where necessary, independent professional advice at the Company's expense.

A Director (including Independent Non-executive Director) shall not vote on any resolution approving any contract or arrangement or any other proposal in which he/she or any of his/her close associates has a material interest nor shall he be counted in the quorum present at the meeting.

The Board has reviewed and considered that the mechanisms are effective in ensuring that independent views and input are provided to the Board during the year ended 31 December 2022.

Board Meeting and General Meeting

The Board meets regularly and held 4 regular meetings in March, June, August and December of 2022. At least 14 days' notice of all regular Board meetings together with the meeting agenda is given to all Directors such that all Directors are given the opportunity to include matters for discussion in the agenda. Meeting agenda and accompanying meeting papers are sent to all relevant Directors at least three days in advance of every regular Board meeting and committee meeting. Directors may participate in meetings in person, by phone or by other communication means. Between regular Board meetings, Directors may approve various matters by way of passing written resolutions. Additional Board meetings may be convened, if necessary.

The Company Secretary assists the Chairman in preparing the agenda for the Board meetings and ensures that all applicable rules and regulations regarding the proceedings of the Board meetings are followed. Draft and final versions of minutes of each Board meeting are sent to all Directors for their comments and records respectively within a reasonable time. The Company also keeps detailed minutes of each Board meeting, which are available for inspection by all Directors.

During the year ended 31 December 2022, the Board held 5 Board meetings (including 4 regular meetings) and an annual general meeting was held by the Company. Attendance records of Board meetings and the annual general meeting by Directors are set out below:

Directors	Board Meetings Attended/Held	General Meeting Attended/Held
Executive Directors		
KONG Jiannan	5/5	1/1
YANG Jingbo	5/5	1/1
WANG Yue *(Resigned on 31 May 2022)*	1/1	0/0
Non-executive Director		
KONG Jianmin	3/5	0/1
Independent Non-executive Directors		
LIU Xiaolan	5/5	1/1
FUNG Che Wai, Anthony	5/5	1/1
NG Yi Kum	5/5	1/1

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board directs and approves the Group's overall strategies whilst the responsibilities for execution and daily operations are delegated to management. The Board gives clear directions as to management's power, and reviews, from time to time, the delegations to management to ensure that they are appropriate and continue to be beneficial to the Group as a whole.

Chairman and Chief Executive Officer

Code provision C.2.1 of Part 2 of the CG Code provides that the roles of chairman and chief executive should be separate and should not be performed by the same individual.

Mr. KONG Jianmin is the Chairman of the Board and his elder brother, Mr. KONG Jiannan, is the Chief Executive Officer. Despite their relationship, the division of responsibilities between the Chairman of the Board and the Chief Executive Officer are clearly divided to ensure a balance of power and authority and to reinforce their independence and accountability.

The Chairman of the Board provides leadership for the Board. He is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings; Directors receive, in a timely manner, adequate information which is complete and reliable; and the Board works effectively and performs its responsibilities. He encourages Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that the Board acts in the best interests of the Company.

The Chief Executive Officer is responsible for the daily operation of the Group and leading the management of the Group.

Appointments and Re-election of Directors

Each Director (including Non-executive Director) has entered into a service contract or an appointment letter with the Company for a term of three years commencing from the date of his/her respective appointment, subject to retirement by rotation and re-election at the annual general meeting of the Company in accordance with the articles of association of the Company (the "**Articles of Association**").

Training and Support for Directors

All the Directors namely, Mr. KONG Jianmin, Mr. KONG Jiannan, Ms. YANG Jingbo, Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum have complied with code provision C.1.4 of Part 2 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills. Upon appointment to the Board, all newly appointed Directors have been provided with necessary induction training and materials to ensure that they have proper understanding of the operation and business of the Company and their responsibilities under the relevant laws, regulations and rules.

The Company regularly updates the Directors on the latest developments regarding the Listing Rules and other applicable legal and regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, external experts are invited to give seminars to the Directors to update their skills and knowledge from time to time.

Based on the information provided by the Directors, the Directors participated in the following trainings during the year ended 31 December 2022:

Directors	Attending trainings, seminars, conferences or briefings
Executive Directors	
KONG Jiannan	√
YANG Jingbo	√
Non-executive Director	
KONG Jianmin	√
Independent Non-executive Directors	
LIU Xiaolan	√
FUNG Che Wai, Anthony	√
NG Yi Kum	√

Board Committees

The Board has established three board committees, namely Remuneration Committee, Nomination Committee and Audit Committee, to oversee the particular aspect of the Company's affairs. The Board committees are provided with sufficient resources to discharge their duties.

Remuneration Committee

The Remuneration Committee was established in October 2020. The Remuneration Committee comprises three members, namely Ms. NG Yi Kum *(Chairperson)* and Mr. FUNG Che Wai, Anthony, both of them are Independent Non-executive Directors, and Mr. KONG Jiannan, an Executive Director.

The terms of reference of the Remuneration Committee are available on the Company's website and the HKEXnews website. The principal duties of the Remuneration Committee include making recommendations to the Board on the Company's remuneration policy and structure for Directors' and senior management remuneration, as well as the remuneration packages of individual Executive Directors and senior management and remuneration of Non-executive Directors, and reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules. Details of the remuneration payable to Directors and senior management for the year ended 31 December 2022 are set out in notes 8 and 9 to the financial statement, respectively.

During the year ended 31 December 2022, the Remuneration Committee held two meetings to discharge its duties including reviewing the policy for the remuneration of Executive Directors and assessing performance of Executive Directors whilst certain other matters were reviewed by way of passing written resolutions. Attendance record of the meeting is as follows:

Members of the Remuneration Committee	Meeting Attended/Held
NG Yi Kum *(Chairperson)*	2/2
FUNG Che Wai, Anthony	2/2
KONG Jiannan	2/2

Nomination Committee

The Nomination Committee was established in October 2020. The Nomination Committee comprises three members who are Non-executive Directors, namely Mr. KONG Jianmin *(Chairperson)*, Ms. NG Yi Kum and Mr. FUNG Che Wai, Anthony. The majority of them are Independent Non-executive Directors.

The terms of reference of the Nomination Committee are available on the Company's website and the HKEXnews website. The principal duties of the Nomination Committee include reviewing the structure, size and composition of the Board and making recommendations to the Board on the selection of individuals nominated for directorships, the appointment or re-appointment of directors and succession planning for Directors, in particular the chairman and the chief executive, as well as assessing the independence of Independent Non-executive Directors. During the year ended 31 December 2022, the Nomination Committee made recommendations to the Board on the selection of individuals nominated for the re-appointment of directors in accordance with the nomination policy of the Company and the diversity aspects as set out in the board diversity policy of the Company. The Nomination Committee had also taken into account their respective contributions to the Board and their commitment to their roles.

During the year ended 31 December 2022, the Nomination Committee held one meeting and the attendance record of the members at the meeting is set out below:

Members of the Nomination Committee	Meeting Attended/Held
KONG Jianmin *(Chairperson)*	1/1
NG Yi Kum	1/1
FUNG Che Wai, Anthony	1/1

Nomination Policy

The Company has adopted a nomination policy setting out the nomination practice, such as the criteria and procedures for the selection, appointment and re-appointment of the Directors. Under the policy, the Nomination Committee will evaluate potential candidates by considering various factors, including their reputation for integrity, accomplishment and experience, time commitments, potential contribution to board diversity, and material conflict of interest with the Group (if any).

Audit Committee

The Audit Committee was established in October 2020. The Audit Committee comprises three members who are Independent Non-executive Directors, namely Ms. NG Yi Kum *(Chairperson)*, Mr. FUNG Che Wai, Anthony and Ms. LIU Xiaolan.

The terms of reference of the Audit Committee are available on the Company's website and the HKEXnews website. The principal duties of the Audit Committee include the followings:

- making recommendations to the Board on appointment, re-appointment and removal of external auditor of the Group and approving the remuneration and terms of engagement of the external auditor, and any issues related to its resignation or dismissal;
- reviewing and monitoring the external auditor's independence and effectiveness of the audit process in accordance with applicable standard;
- reviewing and monitoring the integrity of the Groups' financial statements and annual reports and account, and interim reports;
- reviewing the Group's financial controls, and its risk management and internal control systems;
- reviewing the Group's internal audit function;
- reviewing the Group's financial and accounting policies and practices;
- reviewing the external auditor's management letter and questions raised by the external auditor to management, and management's response to such questions;
- reporting to the Board on matters in the code provision under the CG Code;
- reviewing and monitoring the Group's corporate governance functions under code provision A.2.1 of Part 2 of the CG Code; and
- reviewing and make recommendations to the Board on the Group's environmental, social and governance related matters under Appendix 27 of the Listing Rules.

During the year ended 31 December 2022, the Audit Committee has reviewed the annual results and annual report for the year ended 31 December 2021, the interim results and interim report for the six months ended 30 June 2022, the risk management and internal control system and the effectiveness of the Company's internal audit function.

During the year ended 31 December 2022, the Audit Committee held 3 meetings whilst certain matters were reviewed by way of passing written resolutions. The attendance record of the members at the meetings is set out below:

Members of the Audit Committee	Meetings Attended/Held
NG Yi Kum *(Chairperson)*	3/3
FUNG Che Wai, Anthony	3/3
LIU Xiaolan	3/3

Audit and Accountability

The Directors acknowledge their responsibility for preparing the financial statements for the financial year ended 31 December 2022 which give a true and fair view of the state of affairs of the Company and of the Group at that date and of the Group's results and cash flows for the year then ended and are properly prepared on the going concern basis in accordance with the applicable statutory requirements and accounting standards. The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in Independent Auditor's Report.

External Auditor's Remuneration

For the year ended 31 December 2022, the external auditor's remuneration in respect of audit services provided to the Group amounted to approximately RMB4,528,000 million and fees for non-audit services comprised other reporting service amounted to approximately RMB20,000.

Company Secretary

In compliance with Rule 3.29 of the Listing Rules, the Company Secretary confirmed that for the year ended 31 December 2022, she has taken no less than 15 hours of relevant professional training.

Risk Management and Internal Control

The Board is responsible for maintaining sound and effective risk management and internal control system in order to safeguard the Group's assets and Shareholders' interests and reviewing and monitoring the effectiveness of the Group's risk management and internal control system on a regular basis so as to ensure that risk management and internal control system in place are adequate. The risk management and internal control system is 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 Audit Committee assists the Board in performing its governance functions as to finance, operation, compliance, risk management and internal control of the Group. The risk management centre of the Group, which serves the internal audit function, assists the Board and/or the audit committee in reviewing the effectiveness of the risk management and internal control system of the Group on a continual basis and report its finding on, at least, an annual basis. The Board may be informed regularly of material risks that would affect the performance of the Group.

The Group applies the "three lines of defense" model as the basic structure of the risk management and internal control system:

First line of defense: The Group integrates the risk management system in the core business operation practices. Each operating unit is responsible for identifying and assessing its respective risks and formulating appropriate risk mitigating measures within its terms of reference. The implementation of risk mitigating measures is monitored and the conditions of risk management work are reported to the management in a timely manner.

Second line of defense: Each function department of the Group provides and promotes the methodology and instruments of risk management and control for the first line of defense. Meanwhile, significant risks across disciplines, processes and departments are under streamlined management, and risk reminder and control strategy study are conducted on such basis.

Third line of defense: The Group's risk management centre is mainly responsible for monitoring the compliance with policies and procedures by the Group and its major departments as well as the effectiveness of internal control structure, conducting independent assessment of the financial and operational activities of the Group, providing constructive advice to relevant management, and report to the Board. The Group's risk management centre organises regular risk assessment of the Group and formulates internal audit plan for the year based on the results of the risk assessment. The results of the audit will also be reported to the audit committee.

The Board had reviewed and assessed the effectiveness of the Group's risk management and internal control system as to financial, operational and compliance control and risk management for the year ended 31 December 2022. Such assessment was discussed by the management of the Group and the Group's risk management centre, and reviewed by the Audit Committee. The Board believes that the existing risk management and internal control systems were adequate and effective.

The Company has adopted a whistleblowing policy which provides a mechanism for employees and related third parties who deal with the Group (e.g. consultants, contractors, suppliers, agents and customers) to raise concerns on any suspected impropriety, misconduct or malpractice in any matter related to the Group through confidential reporting channels. The Company has also adopted an anti-corruption policy to provide information and guidance to personnel on how to recognize and deal with bribery and corruption and to handle corporate donation and sponsorship activities of the Group, which applies to all employees (full time and part time) of the Group and related third parties who deal with the Group.

Disclosure of Inside Information

The Company has adopted policies on monitoring, reporting and disclosure of inside information (as defined in the Listing Rules). This ensures timely reporting and disclosure as well as fulfilment of the Group's continuous disclosure obligations. In particular, the Group:

- has conducted its affairs with close regard to the disclosure requirement under the Listing Rules as well as the "Guidelines on Disclosure of Inside Information" published by the Securities and Futures Commission in June 2012;

- has established its own disclosure obligation procedures, which set out the procedures and controls for the assessment of potential inside information and the handling and dissemination of inside information. The procedures have been communicated to the senior management and staff of the Company, and the implementation was monitored by the Company; and

- has made broad, non-exclusive disclosure of information to the public through channels such as financial reports, public announcements and its website.

Shareholders' Rights

Procedures for Shareholders to convene an Extraordinary General Meeting

Pursuant to Article 58 of the Articles of Association, any one or more members holding at the date of deposit of a requisition (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 (the "**Eligible Shareholder(s)**") shall at all times have the right, by written requisition to the Board or the Secretary of the Company, to require an extraordinary general meeting ("**EGM**") to be called by the Board for the transaction of any business specified in such Requisition; and such meeting shall be held within two (2) months after the deposit of such Requisition.

The Eligible Shareholder(s) must deposit the Requisition to the Company's principal place of business in Hong Kong, which for the time being is at Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong. The Requisition must state clearly the name of the Eligible Shareholder(s) concerned, his/her/their shareholding in the Company, the reason(s) to convene an EGM, the agenda proposed to be included and the details of the business(es) proposed to be transacted at the EGM. Such Requisition must be signed by the Eligible Shareholder(s) concerned.

The Company will check the Requisition and the identity and the shareholding of the Eligible Shareholder(s) will be verified with the Company's Hong Kong share registrar. If the Requisition is found to be proper and in order, the Company Secretary will ask the Board considering to convene an EGM within two (2) months after the deposit of the Requisition and/or include the proposal or the resolution proposed by the Eligible Shareholder(s) at the EGM.

If within twenty-one (21) days of the deposit of the Requisition the Board has not advised the Eligible Shareholder(s) of any outcome to the contrary and fails to proceed to convene such EGM, the Eligible Shareholder(s) himself/herself/themselves may do so in accordance with the Articles of Association, and all reasonable expenses incurred by the Eligible Shareholder(s) concerned as a result of the failure of the Board shall be reimbursed to the Eligible Shareholder(s) concerned by the Company.

Putting forward Proposals at General Meeting

There are no provisions in the Articles of Association or the Companies Act of the Cayman Islands for Shareholders to put forward new resolutions at general meetings. Shareholders who wish to put forward a new resolution may request the Company to convene a general meeting in accordance with the procedures set out in the above paragraph headed "Procedures for Shareholders to convene an Extraordinary General Meeting".

Enquiries and Concerns to the Board

Shareholders may send their enquiries and concerns to the Board by email (cosec@kwgliving.com) or by delivering them to Units 8503–05A, Level 85, International Commerce Centre, 1 Austin Road West, Kowloon, Hong Kong by post.

Dividend Policy

Declaration of dividends is subject to the discretion of the Board, taking into consideration of factors such as the Group's financial results, Shareholders' interests, general business conditions and strategies, capital requirements, taxation considerations, contractual, statutory and regulatory restriction and any other factors that the Board may deem relevant. The Company has adopted a dividend policy which aims to provide the Shareholders with a sustainable dividend out of the profit of the Group.

Investor Relations

During the year ended 31 December 2022, the Company made amendments to the existing Articles of Association and adopted an amended and restated Articles of Association, in order to reflect and align with the new requirements under the amendments on the Listing Rules with effect from 1 January 2022. Such amendments were mainly related to shareholder protection standards set out in Appendix 3 of the Listing Rules and other housekeeping amendments. For details, please refer to the announcement of the Company dated 28 March 2022 and the circular of the Company dated 29 April 2022. The latest consolidated version of the memorandum and articles of association of the Company is available on the Company's website and HKEXnews website.

Shareholders' Communication Policy

The Company has adopted a shareholders' communication policy (the "**Shareholders' Communication Policy**") which aims to set out the provisions with the objective of ensuring the Shareholders are provided with equal and timely access to information about the Company through the Company's corporate communications (including but not limited to, interim and annual reports, announcements and circulars) available on both the Company's website and the HKEXnews website, annual general meeting and other general meetings (if necessary). This policy will be reviewed by the Board regularly to ensure its effectiveness.

The Company endeavors to maintain an on-going dialogue with the Shareholders and other stakeholders. To further promote effective communication, the Company's website, which is updated on a regular basis, provides additional information to the Shareholders, such as its principal business activities, business development and operations, financial information, press releases, newsletters and other information, and as one of the channels to receive enquiries from the Shareholders and other stakeholders. The Company arranges investor relations activities, performance briefings and calls with investors and analysts from time to time. Enquiries from the Shareholders and other stakeholders are dealt with in an informative and timely manner.

The Company considers that the implementation of the Shareholders' Communication Policy during the year ended 31 December 2022 was effective.

The Directors are pleased to present their report together with the audited financial statements of the Group for the year ended 31 December 2022.

Principal Activities and Business Review

The principal activity of the Company is investment holding. Details of the principal activities of the principal subsidiaries are set out in note 1 to the financial statements. There was no significant changes in the nature of the Group's principal activities during the year.

A fair review of the Group's business during the year, including an analysis of the Group's performance using financial key performance indicators, a description of the principal risks and uncertainties facing the Group, an indication of likely future development in the Group's business, and particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2021 (if any) can be found in the sections headed "Financial Highlights", the "Chairman's Statement" and the "Management Discussion and Analysis" in this annual report. The financial risk management objectives and policies of the Group can be found in note 39 to the financial statements.

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the year ended 31 December 2022, there was no material breach of, or non-compliance, with applicable laws and regulations by the Group.

Environmental Policies and Performance

The Group is committed to operate its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable laws and regulations.

Further details on the Group's environmental policies, including compliance with the relevant laws and regulations that have a significant impact on the Group, and relationships with its key stakeholders are contained in a separate Environmental, Social and Governance Report, which will be available on the Company's website (www.kwgliving.com) and HKEXnews website (www.hkexnews.hk).

Key Risks and Uncertainties

The following lists out the key risks and uncertainties facing the Group. As it is not exhaustive in listing out all factors, there may be other risks and uncertainties which are unknown or currently not but may become material in future, save as those disclosed below. Investors are advised to make their own judgment or consult professionals before making any investment in the securities of the Company.

- Unfavourable changes in requirements of policies, laws and regulatory regulated by the government;

- Adverse changes in macroeconomic environment due to the uncertainties associated with the Russia-Ukraine war, the US-China trade war and global financial conditions;

- Threats to public health and disruptions in operations due to outbreak of coronavirus pandemic or potential pandemic diseases;

- Intense competition in property management industry in China, seeking differentiated competitive strength is an urge;
- Changes in supply and demand for property management and retail business operations services;
- Decline in customers spending which may cause a decrease in sales of tenants or income of the property service, and in turn, affects the earnings of the Group;
- Future acquisitions or investments in other property companies may not succeed, and the Company may face difficulties in integrating the businesses;
- Ability to generate liquidity internally and obtain external financing.

Results and Dividends

The Group's results for the year ended 31 December 2022 are set out in the Consolidated Statement of Profit or Loss on page 72.

The Board does not recommend any payment of final dividend for the year ended 31 December 2022 (2021: RMB12 cents per Share).

Financial Summary

A financial summary of the Group for the last five financial years is set out on page 164.

Property, Plant and Equipment

Details of movements in the property, plant and equipment of the Group during the year are set out in note 13 to the financial statements.

Significant Investments Held, Material Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures, and Future Plans for Material Investments or Capital Assets

Acquisition of Guangdong Telijie

On 10 January 2022, Guangdong Hejing Youhuo Holdings Group Co., Ltd. (an indirect wholly-owned subsidiary of the Company) as the purchaser has entered into an equity acquisition agreement with HOU Wenqing and CHENG Naizhen as the vendors for the acquisition of 50% equity interests in Guangdong Telijie at a cash consideration of RMB165.0 million. Guangdong Telijie is principally engaged in urban and rural environmental sanitation service. As at the date of this annual report, the acquisition has been completed and Guangdong Telijie has become a non-wholly owned subsidiary of the Group. Its financial results has been consolidated into the Group's financial statements. For details, please refer to the announcement of the Company dated 10 January 2022.

Save as disclosed above, there were no other significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures, nor was there any plan authorised by the Board for other material investments or additions of capital assets during the year ended 31 December 2022.

Share Capital

Details of movements in the Company's share capital during the year are set out in note 27 to the consolidated financial statements.

Purchase, Sale or Redemption of Listed Securities

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

Tax Relief and Exemption of Holders of Listed Securities

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

Pre-emptive Rights

There is no provision 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 existing Shareholders.

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in notes 41 and 29 to the financial statements and in the consolidated statement of changes in equity respectively.

Distributable Reserves

Total distributable reserves of the Company as at 31 December 2022, calculated in accordance with Article 143 of the Articles of Association, amounted to approximately RMB2,214,499,000.

Major Customers and Suppliers

For the year ended 31 December 2022, the transaction amount of the Group's top five customers accounted for 25.9% of the total revenue of the Group (2021: 40.1%), while the transaction amount of the Group's single largest customer, KWG Group and its associates, accounted for 21.3% of the total revenue of the Group (2021: 36.8%).

For the year ended 31 December 2022, the transaction amount of the Group's top five suppliers accounted for 18.9% of the total purchase of the Group (2021: 10.5%), while the transaction amount of the Group's single largest supplier accounted for 5.7% of the total purchase of the Group (2021: 3.4%).

None of the Directors or any of their associates or any Shareholders (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers and suppliers (other than KWG Group and its associates).

Directors

The list of Directors, during the year ended 31 December 2022 and up to the date of this annual report, is set out on page 2 in this annual report, and their biographical information is set out on pages 59 to 64 in this annual report.

Pursuant to Article 84 of the Articles of Association, Mr. KONG Jiannan and Ms. YANG Jingbo will retire from office by rotation and being eligible, offer themselves for re-election at the 2023 AGM.

The Company has received from Ms. LIU Xianlan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum, their confirmations of independence pursuant to the independence guidelines set out in Rule 3.13 of the Listing Rules and considers that they are independent for the year ended 31 December 2022.

No Director proposed for re-election at the 2023 AGM has a service contract with the Group which is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

Interests of Directors and Chief Executive

As at 31 December 2022, the interests and short positions of the Directors or chief executive of the Company in the Shares, underlying Shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) ("**SFO**")) which were required to be (i) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 to the Listing Rules, were as follows:

Long positions in the Shares and underlying Shares

	Number of Shares held				
Name of Director	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares[(1)]
KONG Jianmin	2,300,000	849,718,661[(2)]	219,635,885[(4)]	1,071,654,546	52.90
KONG Jiannan	—	81,827,772[(3)]	988,977,774[(4)]	1,070,805,546	52.86
YANG Jingbo	29,500[(5)]	—	100,500[(6)]	130,000	0.01

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at 31 December 2022.

(2) Plus Earn Consultants Limited ("**Plus Earn**") and Hero Fine Group Limited ("**Hero Fine**") are wholly-owned and controlled by Mr. KONG Jianmin. By virtue of the SFO, Mr. KONG Jianmin is deemed to be interested in the Shares in which Plus Earn and Hero Fine are interested.

(3) Peace Kind Investments Limited ("**Peace Kind**") and Expert Vision International Limited ("**Expert Vision**") are wholly-owned and controlled by Mr. KONG Jiannan. By virtue of the SFO, Mr. KONG Jiannan is deemed to be interested in the Shares in which Peace Kind and Expert Vision are interested.

(4) On 14 October 2020, Plus Earn, Hero Fine, Right Rich Consultants Limited ("**Right Rich**"), Excel Wave Investments Limited ("**Excel Wave**"), Wealth Express Investments Limited ("**Wealth Express**") and Peace Kind entered into a shareholders' agreement (the "**Shareholders' Agreement**"), pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Mr. KONG Jianmin and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(5) These Shares represent the 1st tranche of 33,500 Awarded Shares (as defined hereinafter) granted to such Director which were vested on 19 April 2022 pursuant to the Share Award Scheme (as defined hereinafter), out of which, 4,000 Awarded Shares (as defined hereinafter) were sold at an average price of HK$3.24 on the same date to cover the PRC withholding tax.

(6) These Shares represent the interests in the Shares granted to such Directors by the Company under the Share Award Scheme (as defined hereinafter), which remain unvested.

Long position in the shares of associated corporation of the Company

Name of Director	Name of associated corporation	Capacity	Number of shares held	% of the issued voting Shares
KONG Jianmin	Plus Earn	Beneficial owner	1,000	100

Save as disclosed above, as at 31 December 2022, none of the Directors or chief executive of the Company had any interests or short positions in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) which were required to be (i) entered in the register kept by the Company pursuant to Section 352 of the SFO; or (ii) otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Option Scheme

The Company has adopted a share option scheme (the "**Share Option Scheme**"), which was approved by the Shareholders by passing an ordinary resolution at the annual general meeting of the Company held on 3 June 2021 (the "**SO Adoption Date**").

The following is a summary of the principal terms of the Share Option Scheme:

(1) Purpose

The Share Option Scheme is a share incentive scheme prepared in accordance with Chapter 17 of the Listing Rules and is established to recognise and acknowledge the contributions the SO Eligible Participants (as defined hereinbelow) had or may have made to the Group. The Share Option Scheme will provide the SO Eligible Participants an opportunity to have a personal stake in the Company with the view to achieving the following objectives: (i) motivate the SO Eligible Participants to optimise their performance efficiency for the benefit of the Group; and (ii) attract and retain or otherwise maintain on-going business relationship with the SO Eligible Participants whose contributions are or will be beneficial to the long-term growth of the Group.

(2) Participants of the Share Option Scheme

The Board may, at its discretion, offer to grant an option ("**Option(s)**") to the SO Eligible Participants to subscribe for such number of new Shares as the Board may determine at an exercise price determined in accordance with the rules of the Share Option Scheme.

An "**SO Eligible Participant**" means:

(i) any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries; and

(ii) any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries.

(3) Total number of Shares available for issue under the Share Option Scheme

The maximum number of Shares in respect of which Options and options may be granted under the Share Option Scheme is 201,781,023 Shares, representing approximately 9.96% of the total number of Shares in issue as at the date of this annual report.

(4) Maximum entitlement of each participant under the Share Option Scheme

The total number of Shares issued and which may fall to be issued upon exercise of the options granted under the Share Option Scheme and other schemes of the Company (including both exercised and outstanding options) to each SO Eligible Participant in any 12-month period up to and including the date of grant shall not exceed 1% of the Shares in issue as at the date of grant.

Any further grant of Options in excess of this 1% limit shall be subject to:

(i) the issue of a circular by the Company containing the identity of the SO Eligible Participant, the number of and terms of the Options to be granted (and Options previously granted to such participant), the information as required under Rule 17.02(2)(d) and the disclaimer required under Rule 17.02(4) of the Listing Rules; and

(ii) the approval of the Shareholders in general meeting and/or other requirements prescribed under the Listing Rules from time to time with such SO Eligible Participant and his/her close associates (or his/her associates if the SO Eligible Participant is a connected person) abstaining from voting. The number and terms (including the exercise price) of Options to be granted to such participant must be fixed before the Shareholders' approval and the date of the Board meeting at which the Board proposes to grant the Options to such SO Eligible Participant shall be taken as the date of grant for the purpose of calculating the subscription price of the Shares.

(5) Period within which the Shares must be taken up under an Option

An Option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the Option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an Option may be exercised will be determined by the Board in its absolute discretion, save that no Option may be exercised more than 10 years after it has been granted. No Option may be granted more than 10 years after the date of approval of the Share Option Scheme. There is no minimum period specified by the Share Option Scheme, for which the Option must be held before it can be exercised.

(6) Amount payable on application or acceptance of the Options and Period within which payments or calls mush or may be made or loans for such purposed must be repaid

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 favour of the Company of HK$1.00 by way of consideration for the grant thereof, is received by the Company on or before the relevant acceptance date. Such remittance or payment shall in no circumstances be refundable. To the extent that the offer to grant an Option is not accepted by any prescribed acceptance date, it shall be deemed to have been irrevocably declined.

(7) Basis of determining the exercise price

Subject to any adjustments made under the Share Option Scheme, the subscription price of a Share in respect of any particular Option granted under the Share Option Scheme shall be such price as the Board in its absolute discretion shall determine, save that such price must be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheet 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 the Shares as stated in the Stock Exchange's daily quotations sheet for the five business days immediately preceding the date of grant; and

(iii) the nominal value of a Share.

(8) Remaining life of the Share Option Scheme

Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years commencing from the SO Adoption Date and ending on 2 June 2031.

(9) Number of Options available for grant

The number of Shares in respect of which Options are available for grant under the Share Option Scheme as at 1 January 2022 and 31 December 2022 were 201,187,023 and 201,349,023, respectively.

During the year ended 31 December 2022, no Options were granted under the Share Option Scheme. Particulars of the outstanding share options granted certain eligible participants ("**SO Grantees**") and their movements during the year are as follows:

				Number of Options					
Categories of SO Grantees	Date of grant	Exercise price per Share (HK$)	Exercise period[1]	Balance as at 01.01.2022	Granted during the year	Exercised during the year	Cancelled/ lapsed during the year	Balance as at 31.12.2022	Closing price per Share[2] (HK$)
Employees	23.07.2021	8.964	15.04.2022 to 14.04.2026	594,000	—	—	(162,000)	432,000	8.78
Total				594,000	—	—	(162,000)	432,000	

Notes:

(1) Subject to the vesting conditions (namely, the net profit of the Group for the financial year 2021 achieved its expected target amount set in early 2021) being met, the vesting period of the Options is as follows: the Options can be exercised up to 25% of the Options granted from 15 April 2022, up to 50% of the Options granted from 15 April 2023; and 100% of the Options granted from 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

(2) This represented the closing price of the Shares immediately before the date on which the Options were granted.

(3) These Options granted are not subject to any exercising conditions nor any performance targets.

Details of the fair value of the Options granted by the Company and the accounting policy adopted for the Options are set out in note 28 to the consolidated financial statements.

Share Award Scheme

The Company has adopted a share award scheme (the "**Share Award Scheme**"), which was approved by the Board at the Board meeting held on 23 July 2021 (the "**SA Adoption Date**"). A summary of the Share Award Scheme was set out in the announcement of the Company dated 23 July 2021 headed "Adoption of Share Award Scheme and Grant of Awarded Shares".

(1) Purposes and objectives

The specific objectives of the Share Award Scheme are: (i) to recognise and motivate the contributions by certain SA Eligible Participants (as defined hereinafter) and to give incentives thereto in order to retain them for the continual operation and development of the Group; (ii) to attract suitable professional personnel beneficial for further growth of the Group; and (iii) to provide certain SA Eligible Participants with a direct economic interest in attaining a long-term relationship between the Group and such SA Eligible Participants.

(2) Participants of the Share Award Scheme

Pursuant to the rules of the Share Award Scheme (the "**SA Scheme Rules**"), the Board may, from time to time, at its absolute discretion select any SA Eligible Participant for participation in the Share Award Scheme as a selected participant (the "**Selected Participant**") and determine the number of Shares to be awarded (the "**Awarded Shares**").

An "**SA Eligible Participant**" means: any employee (whether full time or part time, including without limitation any executive director) of the Company and/or any member of the Group ("**Employee**"); and non-executive director of the Company and/or any member of the Group (excluding any Excluded Participants (as defined in the SA Scheme Rules)) who, in the sole opinion of the Board, will contribute or have contributed to the Company and/or any member of the Group.

(3) Duration

Subject to any early termination as may be determined by the Board pursuant to the SA Scheme Rules, the Share Award Scheme shall be valid and effective for a term of 10 years commencing from the SA Adoption Date and ending on 22 July 2031.

(4) Maximum limit

The Board shall not make any further grant of Awarded Shares under the Share Award Scheme such that the total number of Shares granted under the Share Award Scheme will exceed 5% of the total number of issued Shares as of the SA Adoption Date, being 100,890,511 Shares, representing approximately 4.98% of the total issued Shares as at the date of this annual report. No maximum entitlement of each participant is prescribed under the Share Award Scheme and shall be in compliance with the Listing Rules.

If the relevant subscription or purchase would result in the trustee (the "**Trustee**"), TMF Trust (HK) Limited and any additional or replacement trustee, holding in aggregate, more than 5% of the total number of Shares in issue of the Company as of the SA Adoption Date, the Trustee shall not subscribe or purchase any further Shares.

(5) Operation

Pursuant to the SA Scheme Rules, the Board may, from time to time, at its absolute discretion select any SA Eligible Participant for participation in the Share Award Scheme as a Selected Participant and determine the number of Shares to be awarded. The Board shall, after having regard to all relevant circumstances and affairs of the Group including without limitation the Group's business and financial performance, determine the maximum amount of funds to be allocated by the Board out of the Company's resources for the purchase or subscription of the Awarded Shares, as the Board deems appropriate, pursuant to the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay the Trustee the subscription or purchase price for the Shares and the related expenses from the Company's resources. The Trustee shall purchase from the open market or subscribe for the relevant number of Shares awarded and shall hold such Shares until they are vested in accordance with the SA Scheme Rules. No consideration or vesting price is payable by the SA Grantees upon acceptance or vesting of the Awarded Shares.

(6) Number of Awarded Shares available for grant

The number of Awarded Shares available for grant under the Share Award Scheme as at 1 January 2022 and 31 December 2022 were 99,446,511 and 99,953,011, respectively.

During the year ended 31 December 2022, no Awarded Shares were granted under the Share Award Scheme. Details of the Awarded Shares granted certain selected participants (the "**SA Grantees**") and their movements during the year are as follows:

			Number of Awarded Shares					
Categories of SA Grantees	**Date of grant**	**Vesting Period**[1]	**Balance as at 01.01.2022**	**Granted during the year**	**Vested during the year**[2]	**Cancelled/ Lapsed during the year**	**Balance as at 31.12.2022**	**Closing price per Share**[7] **(HK$)**
Executive Directors								
— YANG Jingbo	23.07.2021	15.04.2022 to 15.04.2024	134,000	—	(33,500)[3]	—	100,500	8.78
— WANG Yue *(Resigned as an executive Director on 31 May 2022)*	23.07.2021	15.04.2022 to 15.04.2024	134,000	—	(33,500)[4]	(100,500)[6]	N/A	8.78
Directors of certain subsidiaries of the Company	23.07.2021	15.04.2022 to 15.04.2024	332,000	—	(83,000)[5]	—	249,000	8.78
Ordinary Employees	23.07.2021	15.04.2022 to 15.04.2024	844,000	—	(145,500)[5]	(406,000)[6]	292,500	8.78
Total			1,444,000	—	(295,500)	(506,500)	642,000	

Notes:

(1) Subject to the vesting conditions (namely, the net profit of the Group for the financial year 2021 achieved its expected target amount set in early 2021) being met, the Awarded Shares shall be vested in accordance with the following dates: (i) 25% of which shall be vested on 15 April 2022; (ii) another 25% of which shall be vested on 15 April 2023; and (iii) the remaining 50% of which shall be vested on 15 April 2024. If any of such days falls on a Saturday, a Sunday or a public holiday, then the next business day following it.

(2) The purchase price of the underlying Shares vested during the year was HK$3.2721, with the weighted average closing price immediately before the date of which the Awarded Shares were vested being HK$3.43.

(3) Out of these 33,500 Awarded Shares vested during the year, 4,000 Awarded Shares were sold at an average price of HK$3.24 to cover PRC withholding tax pursuant to the rules of the Share Award Scheme.

(4) Out of these 33,500 Awarded Shares vested during the year, 4,000 Awarded Shares were sold at an average price of HK$3.23 to cover PRC withholding tax pursuant to the rules of the Share Award Scheme.

(5) Out of these 228,500 Awarded Shares vested during the year, 20,000 Awarded Shares were sold at an average price of HK$3.23 to cover PRC withholding tax pursuant to the rules of the Share Award Scheme.

(6) These unvested Awarded Shares have lapsed upon the resignation of such director and ordinary employees.

(7) This represented the closing price of the Shares immediately before the date on which the Awarded Shares were granted.

(8) These Awarded Shares granted are not subject to any exercising conditions nor any performance targets.

Details of the fair value of the Awarded Shares granted by the Company and the accounting policy adopted for the Awarded Shares are set out in note 28 to the consolidated financial statements.

Directors' Interests in a Competing Business

During the year and up to the date of this annual report, none of the Directors are considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Director's Interests in Transactions, Arrangements and Contract

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company, or its subsidiaries was a party and in which a Director or his connected entity had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year ended 31 December 2022.

Directors' Remuneration

The Directors' remunerations are subject to the recommendations of the Remuneration Committee and the Board's approval. The remunerations are determined by the Board with reference to Directors' duties, responsibilities, performances and the results of the Group.

Equity-linked Agreements

Other than the Share Option Scheme as disclosed above, no equity-linked agreements was entered into by the Company during the year or subsisted at the end of the year ended 31 December 2022.

Donation

The charitable donations made by the Group during the year amounted to RMB62,000.

Interests of Substantial Shareholders and Other Persons

As at 31 December 2022, so far as the Directors or chief executive of the Company were aware of, persons (other than Directors or chief executive of the Company) who had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Long positions in the Shares

	Number of Shares held				
Name of substantial Shareholder	Personal interests (beneficial owner)	Corporate interests (interests of controlled corporation)	Other interests	Total	% of the issued voting Shares[(1)]
Plus Earn[(4)]	678,390,949	—	390,963,597[(3)]	1,069,354,546	52.79
Hero Fine[(4)]	171,327,712	—	898,026,834[(3)]	1,069,354,546	52.79
Peace Kind[(4)]	80,376,772	—	988,977,774[(3)]	1,069,354,546	52.79
KONG Jiantao	—	139,259,113[(2)]	930,095,433[(3)]	1,069,354,546	52.79
Right Rich	136,667,833	—	932,686,713[(3)]	1,069,354,546	52.79
Excel Wave	2,079,450	—	1,067,275,096[(3)]	1,069,354,546	52.79
Wealth Express	511,830	—	1,068,842,716[(3)]	1,069,354,546	52.79

Notes:

(1) The approximate percentage was calculated based on the total number of issued Shares (i.e. 2,025,858,916 Shares) as at the 31 December 2022.

(2) Right Rich, Excel Wave and Wealth Express are wholly-owned and controlled by Mr. KONG Jiantao. By virtue of the SFO, Mr. KONG Jiantao is deemed to be interested in the Shares in which Right Rich, Excel Wave and Wealth Express are interested.

(3) On 14 October 2020, Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind entered into the Shareholders' Agreement, pursuant to which, among other things, the parties thereto shall vote at general meetings of the Company according to the instruction of whichever party thereto holds the most Shares from time to time. As such, by virtue of the SFO, each of Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express, Peace Kind, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan is deemed to be interested in the total number of Shares directly held by Plus Earn, Hero Fine, Right Rich, Excel Wave, Wealth Express and Peace Kind.

(4) Mr. KONG Jianmin (a Non-executive Director) is the sole director of Plus Earn and Hero Fine and Mr. KONG Jiannan (an Executive Director) is the sole director of Peace Kind.

Save as disclosed above, as at 31 December 2022, the Directors were not aware of any interests or short positions owned by any persons (other than the Directors or chief executive of the Company) in the Shares or underlying Shares which would fall to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

Non-competition Undertaking

Each of the controlling Shareholders has entered into a deed of non-competition dated 14 October 2020 (the "**Undertakings**") details of which are disclosed in the Company's prospectus dated 19 October 2020 (the "**Prospectus**"). Each of them has confirmed to the Company that, since the Listing Date and up to 31 December 2022, he/it has complied with the Undertakings.

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

Continuing Connected Transactions

Set out below are the continuing connected transactions between the Group and KWG Group for the year ended 31 December 2022, which are subject to the reporting and annual review requirements under Chapter 14A of the Listing Rules:

1. Property Lease Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property lease framework agreement (the "**Property Lease Framework Agreement**") with KWG Holdings (for itself and on behalf of its subsidiaries), pursuant to which KWG Group agreed to lease to the Group (i) certain properties for office and staff quarters uses; and (ii) car parking lots for sub-leasing to end-users for a term commencing from the Listing Date to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Property Lease Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) is RMB29.6 million. The actual transaction amount for the transactions under the Property Lease Framework Agreement during the year ended 31 December 2022 was approximately RMB8.0 million.

2. Residential Property Management Services Framework Agreement

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a residential property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Residential Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with residential property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices owned by KWG Group and/or its associates; and (ii) property management services, such as cleaning, security, gardening and repair and maintenance services for residential properties developed by KWG Group and/or its associates which are unsold or sold but not yet delivered to the property owners for a term commencing from the Listing Date to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Residential Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) is RMB596.0 million. The actual transaction amount for the transactions under the Residential Property Management Services Framework Agreement during the year ended 31 December 2022 was approximately RMB352.6 million.

3. **Property Agency Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a property agency services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Property Agency Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with property agency services for properties developed by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Property Agency Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) is RMB762.4 million. The actual transaction amount for the transactions under the Property Agency Services Framework Agreement during the year ended 31 December 2022 was approximately RMB150.1 million.

4. **Commercial Property Management Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial property management services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with commercial property management services, including but not limited to (i) pre-sale management services, such as cleaning, security and maintenance services for pre-sale display units and sales offices of commercial properties owned by KWG Group and/or its associates; and (ii) commercial property management services, such as file management, cleaning, security, gardening, and repair and maintenance services for commercial properties developed by KWG Group and/or its associates which are (a) unsold or sold but not yet delivered to the new owners; (b) pending to be leased out; or (c) owned by KWG Group and/or its associates for their own use for a term commencing from the Listing Date to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Commercial Property Management Services Framework Agreement (as revised by the supplemental agreement dated 29 September 2021) is RMB225.3 million. The actual transaction amount for the transactions under the Commercial Property Management Services Framework Agreement during the year ended 31 December 2022 was approximately RMB164.7 million.

5. **Commercial Operational and Value-added Services Framework Agreement**

On 14 October 2020, the Company (for itself and on behalf of its subsidiaries) entered into a commercial operational and value-added services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Commercial Operational and Value-added Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with (i) commercial operational services, such as preliminary planning and consultancy, tenant sourcing and management, and marketing and promotion services, for commercial properties owned by KWG Group and/or its associates; and (ii) other value-added services, such as providing assistance in leasing out common areas, advertising spaces and empty floor space, for properties owned by KWG Group and/or its associates for a term commencing from the Listing Date to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Commercial Operational and Value-added Services Framework Agreement is RMB172.9 million. The amount for the transactions under the Commercial Operational and Value-added Services Framework Agreement involved during the year ended 31 December 2022 was approximately RMB147.4 million.

6. Publicity Planning Services Framework Agreement

On 10 December 2021, the Company (for itself and on behalf of its subsidiaries) entered into a publicity planning services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Publicity Planning Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with publicity planning services, such as promotion design, advertisement promotion and official account marketing for the residential properties developed by KWG Group and/or its associates for a term commencing from 1 January 2022 to 31 December 2022.

The annual cap for the year ended 31 December 2022 under the Publicity Planning Services Framework Agreement is RMB45.0 million. The actual transaction amount for the transactions under the Old Publicity Planning Services Framework Agreement during the year ended 31 December 2022 was approximately RMB38.9 million.

7. Marketing Channel Services Framework Agreement

On 10 December 2021, the Company (for itself and on behalf of its subsidiaries) entered into a marketing channel services framework agreement with KWG Holdings (for itself and on behalf of its subsidiaries and associates) (the "**Marketing Channel Services Framework Agreement**"), pursuant to which the Group agreed to provide KWG Group and its associates with marketing channel management service for the Universal Marketing Plan of properties developed by KWG Group and its associates for a term commencing from 1 January 2022 to 31 December 2022. Leveraging the Group's experience on management of property agents, the Group will be asked to provide administrative management services regarding the non-employees participants of the Universal Marketing Plan including human resource management, awards settlement, tax declaration and other administrative work.

The annual cap under the Marketing Channel Services Framework Agreement for the year ended 31 December 2022 is RMB20.0 million. The actual transaction amount for the transactions under the Marketing Channel Services Framework Agreement during the year ended 31 December 2022 was approximately RMB4.2 million.

As at the date of the aforementioned agreements of the continuing connected transactions, Mr. KONG Jianmin, Mr. KONG Jiantao and Mr. KONG Jiannan are the ultimate controlling shareholders of each of the Company and KWG Holdings pursuant to the respective shareholders' agreements entered into among their respective controlled entities. Therefore, KWG Holdings, as an associate of the controlling shareholders of the Company, is a connected person of the Company.

Pursuant to Rule 14A.55 of the Listing Rules, the Independent Non-executive Directors have reviewed the continuing connected transactions under each of the Property Lease Framework Agreement, the Residential Property Management Services Framework Agreement, the Property Agency Services Framework Agreement, the Commercial Property Management Services Framework Agreement, the Commercial Operational and Value-added Services Framework Agreement, the Old Publicity Planning Services Framework Agreement and the Old Marketing Channel Services Framework Agreement as mentioned above (collectively the "**Agreements**"), and confirmed the transactions have been entered into: (i) in the ordinary and usual course of the Group's business; (ii) on normal commercial terms or better; and (iii) in accordance with the respective terms of the Agreements that are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company for the year ended 31 December 2022 in accordance with the 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 Board has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor did not notice any of these continuing connected transactions:

- have not been approved by the Board;
- (for the connected transactions involving the provision of goods or services by the Group) were not in accordance with the pricing policies of the Group in all material aspects;
- were not entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and
- have exceeded the relevant caps for the year ended 31 December 2022.

As the Agreements were due to expire on 31 December 2022 and the Company would continue to carry on the transactions contemplated thereunder upon their expiry, on 21 November 2022, the Company and KWG Holdings had entered into new (1) property lease framework agreement; (2) residential property management services framework agreement; (3) property agency services framework agreement; (4) commercial property management services framework agreement; (5) commercial operational and value-added services framework agreement; (6) publicity planning service framework agreement; and (7) marketing channel service framework agreement (collectively, the "**New Framework Agreements**") for a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the announcement of the Company dated 21 November 2022 and the circular of the Company dated 21 December 2022. The New Framework Agreements have been approved by the Shareholders at the extraordinary general meeting of the Company held on 13 January 2023.

Related Party Transactions

Details of the related party transactions of the Group for the year ended 31 December 2022 are set out in note 36 to the consolidated financial statements.

The related party transactions set out in note 36 to consolidated financial statements include related party transactions disclosed under accounting standards and related party transactions which also constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of Directors and chief executives of the Company constitute continuing connected transactions as defined in Chapter 14A of the Listing Rules. However, these transactions are exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The related party transactions in respect of the remuneration of key management personnel (other than Directors and chief executives) of the Company did not fall under the definition of connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules. Unless otherwise disclosed in this annual report, the Directors believe, all other related party transactions set out in note 36 to the consolidated financial statements do not fall within the definition of "connected transactions" or "continuing connected transactions" under Chapter 14A of the Listing Rules (as the case may be). The Company confirmed that it was in compliance with the disclosure requirements under Chapter 14A of the Listing Rules for the year ended 31 December 2022 or a waiver from such provisions has been obtained from the Stock Exchange.

Management Contracts

No contract, other than employment contracts, concerning the management and administration of the whole or any substantial part of the Company's business was entered into or existed during the year.

Employees and Remuneration Policy

As at 31 December 2022, the Group has approximately 18,000 employees (2021: approximately 18,000 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including performance-based bonus payments, share options, retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

Permitted Indemnity Provision

The Articles of Association provides that Directors, secretary and other officers and every auditor of the Company at any time, whether at present or in the past, and the liquidator or trustees (if any) acting or who have acted in relation to any of the affairs of the Company, and everyone of them, and everyone of their heirs, executors and administrators, shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities which he or she may sustain or incur in or about the execution of the duties of his or her office or otherwise in relation thereto. During the year, the Company has maintained appropriate directors and officers liability insurance in respect of relevant legal actions against the Directors.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Directors, the Directors confirmed that the Company maintained a sufficient public float as required by the Listing Rules as at the latest practicable date prior to the issue of this annual report.

Event after the Reporting Period

In December 2022, the Group entered into certain property agency agreements (the "**Agreements**") with two independent third parties (collectively referred to as the "**Third Parties**") respectively, and pursuant to which the Group has agreed to underwrite the sales of certain identifiable properties (with market value in excess of approximately RMB1,960 million) owned by the Third Parties and its affiliates at pre-determined prices over a period of one year. The Group was obliged to pay RMB1,050 million in aggregate to the Third Parties as deposits (the "**Deposits**") under the Agreements and the Group would be entitled to earn the portion of the sales proceeds in excess of, if any, the pre-determined prices of the said properties upon sales. Subsequent to the balance sheet date, in January 2023, the Group has paid the Deposits to the designated bank accounts which were owned by an entity controlled by the ultimate holding company of the Company (the "**Related Party**") according to the payment instructions from the Third Parties, whom had subsequently provided written confirmations that the Group had fulfilled its obligation of making the Deposits under the Agreements. The directors of the Company were informed by the Third Parties and the Related Party that the instructed payment made to the Related Party was related to another proposed transaction made between the Third Parties and the Related Party, pursuant to which a similar amount to that of the Deposits was owed and payable by the Third Parties to the Related Party. In the opinion of the directors of the Company, the aforesaid property agency arrangement and the Deposits paid were made in the ordinary course of its business to expand its property agency business.

Use of Net Proceeds from the Listing

The shares of the Company were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020 by way of Global Offering (as defined in the prospectus of the Company dated 19 October 2020, the "**Prospectus**"), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately Hong Kong dollars ("**HK$**") 2,913.1 million (the "**Net Proceeds**"). For details of the original proposed allocation of the Net Proceeds, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

On 29 June 2021, the Group resolved to revise the allocation of the Net Proceeds to apply the unutilised and unplanned Net Proceeds as follows: (i) approximately HK$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$145.6 million for further diversifying its value-added services; and (iv) approximately HK$72.8 million for its general corporate purposes and working capital. Details of the re-allocation are set out in the Company's announcement dated 29 June 2021.

The Group continues to keep abreast with the latest market trends, explore market opportunities in depth with its full business layout, to consistently broaden the breadth and depth of its business and enhance its overall competitiveness in continuous creation of value for its Shareholders. Based on the aforementioned considerations as well as the following reasons, in order to improve the efficiency of the use of the Net Proceeds and to capture market opportunities for business development in a timely manner, on 10 January 2022, the Board resolved to further adjust the allocation proportion of the Net Proceeds. As set out in the announcement of the Company dated 10 January 2022 (the "**Announcement**"), the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK$250 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$120.6 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$36.4 million for further diversifying its value-added services; and (iv) approximately HK$52.7 million for its general corporate purposes and working capital.

As of 31 December 2022, an analysis of the utilisation of Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	Revised allocation as stated in the Announcement HK$ million	Unutilised or unplanned Net Proceeds as at the date of the Announcement HK$ million	Utilised or planned Net Proceeds during the year ended 31 December 2022 HK$ million	Unutilised or unplanned Net Proceeds as at 31 December 2022 HK$ million
To pursue strategic acquisitions and investment opportunities	2,703.4	250.0	250.0	—
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	84.2	84.2	9.1	75.1
— to develop and upgrade the intelligence service systems	36.4	36.4	31.8	4.6
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	36.4	36.4	—	36.4
For general corporate purposes and working capital	52.7	52.7	52.7	—
Total	2,913.1	459.7	343.6	116.1

Barring unforeseen circumstances, based on the Directors' best estimation, the unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above before 31 December 2023. However, the actual timing for utilising the Net Proceeds may change.

Auditors

There has been no change in auditors since the Listing Date. The consolidated financial statements for the year ended 31 December 2022 have been audited by Ernst & Young, Certified Public Accountants, who are proposed for reappointment at the 2023 AGM.

On behalf of the Board

KONG Jianmin
Chairman

Hong Kong
26 April 2023

Executive Directors

KONG Jiannan, aged 57, was appointed as a Director on 11 September 2019 and was re-designated as an Executive Director and Chief Executive Officer on 19 June 2020. He is responsible for the overall management and operation of the Group. He currently holds directorships in various subsidiaries of the Group.

Mr. Kong has over 22 years of experience in the real estate industry. He joined the Group in May 2004 as a director of Guangzhou Ningjun Property Management Co., Ltd. ("**Ningjun Property**"), where he was primarily responsible for the overall management of Ningjun Property. Prior to joining the Group, from September 1984 to October 1997, he worked at the Dongshan District Justice Bureau (東山區司法局) in Guangzhou, the PRC, where he last served as a section chief. From November 1997 to June 2007, he served as a director of Guangzhou Hejing Real Estate Co., Ltd. (廣州合景房地產開發有限公司), a subsidiary of KWG Holdings, where he was primarily responsible for coordinating and managing human resources, administrative management and IT management. Since June 2007, he has been an executive director and an executive vice president of KWG Holdings, where he is responsible for coordinating and managing human resources, administrative management, IT management and legal affairs.

Mr. Kong has been a president of the 17th and the 18th General Committee of Hong Kong Industrial & Commercial Association (香港工商總會) since August 2019 and March 2022, respectively, and an executive council member of the 2nd Council of Happy Hong Kong Foundation (築福香港基金會) since September 2018. He has also been a council member of Guangzhou Chuanshuo Children's Culture Foundation (廣州船說少兒文化基金會) since March 2017.

Mr. Kong graduated from the Guangzhou Radio and TV University (廣州市廣播電視大學) (also known as the Open University of China (Guangzhou) (國家開放大學(廣州))) in the PRC majoring in law in October 1988.

Mr. Kong is the elder brother of Mr. Kong Jianmin, a Non-executive Director and the Chairman of the Board.

Pursuant to the service agreement with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$150,000.

YANG Jingbo, aged 45, was appointed as an Executive Director in June 2020. She was the general manager of the financial management center of the Group and was then promoted as the Chief Financial Officer of the Group on 24 March 2021, responsible for the financial and treasury matters of the Group. She currently holds directorships in certain subsidiaries of the Group.

Ms. Yang has over 21 years of experience in the real estate industry. She joined the Group in September 2009 as the senior tax manager of the Group. From September 2009 to February 2020, she successively served as the senior tax manager, the deputy general manager of financial sharing center and the general manager of finance and tax. She was appointed as the general manager of the financial management center of the Group in February 2020. Prior to joining the Group, from July 2000 to September 2009, she served as manager of finance and tax of the Guangzhou regional branch (廣州地區公司) of Hopson Development Holdings Limited (合生創展集團有限公司), a property developer whose shares are listed on the main board of the Stock Exchange (stock code: 0754), where she was primarily responsible for financial and tax management.

Ms. Yang is currently a member of the China Real Estate Industry Tax Compliance Promotion Committee (中國房地產開發行業稅法遵從提升委員會). She has been the vice president as well as the president of South China division of the Communication Platform of the Corporate Chief Tax Officer (企業稅務總監交流平台) since October 2019 and has been the executive vice president of the Second Financial and Taxation Professional Committee of the Guangdong Real Estate Association (廣東省房地產行業協會第二屆金融與財稅專業委員會) since 29 July 2022. She was a deputy supervisor of Financial Management Committee of Guangdong Real Estate Association (廣東省房地產行業協會財務管理專業委員會) from July 2015 to June 2018. Ms. Yang is a main author of the publications namely Analysis of the Practical Points of Collecting Value-added Tax in lieu of Business Tax (《營改增實務點解構》) and Practice of the Filing of Returns of Individual Income Tax on Comprehensive Income on a Consolidated Basis (《個人所得稅綜合所得滙算清繳實務》).

Ms. Yang obtained a bachelor's degree in auditing from Guangdong Business College (廣東商學院) (now known as Guangdong University of Finance & Economics (廣東財經大學)) in the PRC in June 2000, and an executive master of business administration degree from Jinan University (暨南大學) in the PRC in December 2015. She obtained a qualification of intermediate accountant granted by the Ministry of Finance of the PRC (中華人民共和國財政部) in May 2006, a qualification of certified internal auditor granted by the Institute of Internal Auditors in November 2006 and a qualification of tax accountant granted by the China Association of Chief Financial Officers (中國總會計師協會) in June 2010.

Pursuant to the service agreement with the Company, Ms. Yang is entitled to receive a basic annual director's fee of HK$150,000.

Non-executive Director

KONG Jianmin, aged 55, was appointed as a Non-executive Director and the Chairman of the Board on 19 June 2020. He is responsible for providing guidance and formulation of business strategies for the overall development of the Group.

Mr. Kong has over 27 years of experience in property development and investment. He founded KWG Group in November 1994. From November 1994 to April 1995, he served as a general manager of Guangzhou Xinhengchang Enterprises Development Co., Ltd. (廣州新恒昌企業發展有限公司), a subsidiary of the KWG Holdings, where he was primarily responsible for the formulation of strategies and operation plans as well as the implementation of the business plans. From June 1995 to June 2007, he served as the chairman of the board of Guangzhou Hejing Real Estate Development Ltd. (廣州合景房地產開發有限公司), a subsidiary of KWG Holdings, where he was responsible for strategic planning and implementation, sales and marketing of the company. Since July 2007, he has been an executive director and the chairman of the board of directors of KWG Holdings and is responsible for the formulation of the development strategies, as well as supervising project planning, business operation and sales and marketing of KWG Group. Prior to founding KWG Group, from December 1985 to July 1993, he worked at the Baiyun Road Sub-Branch of the Guangzhou Branch of Industrial and Commercial Bank of China Limited (中國工商銀行股份有限公司廣州白雲路支行), where he served as a credit officer.

Mr. Kong has been an executive president of the executive committee of Guangdong Real Estate Chamber of Commerce (廣東省地產商會) since March 2008 and has been a director of the board of directors of Jinan University (暨南大學) in the PRC since November 2010. He has also been a director of the board of directors of China Real Estate Developers and Investors Association (中華房地產投資開發商會) since February 2022.

Mr. Kong graduated from Jinan University (暨南大學) in the PRC majoring in computer science in June 1989.

Mr. Kong Jianmin is the younger brother of Mr. Kong Jiannan, an Executive Director and the Chief Executive Officer.

Pursuant to the appointment letter with the Company, Mr. Kong is entitled to receive a basic annual director's fee of HK$300,000.

Independent Non-executive Directors

LIU Xiaolan, aged 56, was appointed as an Independent Non-executive Director on 9 October 2020 and is primarily responsible for providing independent advice on the operations and management of the Group.

Ms. Liu has over 10 years of working experience in real estate industry. 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 mainly responsible for assisting the general manager in the daily matters of the company and its branches all over the country. Starting from May 2005, she worked at Powerlong Real Estate Holdings Limited (寶龍地產控股有限公司), a real estate developer in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 1238), where she was responsible for assisting president in the daily matters, establishment of management system of the project companies and the management of commercial property management business, and was appointed as an executive director in August 2009. She was re-designated as a non-executive director of Powerlong Real Estate Holdings Limited in April 2012 and resigned in March 2014. From March 2012 to November 2012, she 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 mainly responsible for investment management of the project. Since September 2013, she has been serving 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 have been mainly responsible for its company investment and strategy formulation.

Ms. Liu has been serving as a mentor of PMBA program 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 (福建中醫學院) in the PRC in July 1988.

Pursuant to the appointment letter with the Company, Ms. Liu is entitled to receive a basic annual director's fee of HK$300,000.

FUNG Che Wai, Anthony, aged 54, was appointed as an Independent Non-executive Director on 9 October 2020 and is primarily responsible for providing independence advice on the operations and management of the Group.

Mr. Fung has over 30 years of experience in accounting and financial management. From August 1992 to September 1999, he successively served as a staff accountant, semi senior accountant, senior accountant and manager at Deloitte Touche Tohmatsu, an accounting firm where he was primarily responsible for audit planning and control. From October 1999 to August 2007, Mr. Fung served as a director of Winsmart Consultants Limited (弘陞投資顧問有限公司), a financial consulting company where he was primarily responsible for advising the client on corporate finance and investor relations. From January 2008 to August 2010, Mr. Fung served as a vice president of NagaCorp Limited (金界控股有限公司), a hotel, gaming and leisure operator in Cambodia whose shares are listed on the main board of the Stock Exchange (stock code: 3918), where he was primarily responsible for the development of investor relations and liaison with existing and potential investors as well as analysts. From January 2011 to August 2014, Mr. Fung served as the chief financial officer and company secretary of Zall Smart Commerce Group Ltd. (卓爾智聯集團有限公司) (formerly known as Zall Development (Cayman) Holding Co., Ltd. (卓爾發展(開曼)控股有限公司)), a developer and operator of large-scale consumer product focused wholesale shopping malls in the PRC whose shares are listed on the main board of the Stock Exchange (stock code: 2098), where he was primarily responsible for financial and compliance matters. Mr. Fung served as the chief financial officer and company secretary of Kong Sun Holdings Limited (江山控股有限公司) from July 2014 to April 2017 and from September 2014 to April 2017, respectively, a solar power plants investor and operator whose shares are listed on the main board of the Stock Exchange (stock code: 0295), where he was primarily responsible for the overall financial operations, company secretarial matters and investor relations. From June 2017 to October 2021, Mr. Fung served as an independent non-executive director of S&P International Holding Limited (椰豐集團有限公司), a coconut food manufacturer and seller whose shares are listed on the main board of the Stock Exchange (stock code: 1695), where he was primarily responsible for supervising and providing independent advice to the board. From May 2017 to December 2022, Mr. Fung served as the chief financial officer of Beijing Enterprises Urban Resources Group Limited (北控城市資源集團有限公司), an integrated waste management solution provider whose shares are listed on the main board of the Stock Exchange (stock code: 3718), where he has been primarily responsible for the supervision and management of finance of the group. Since April 2017, Mr. Fung has been an independent non-executive director of FY Financial (Shenzhen) Co., Ltd. (富銀融資租賃(深圳)有限公司), a financial services provider whose shares are listed on GEM of the Stock Exchange (stock code: 8452), where he has been primarily responsible for supervising and providing independent advice to the board. Since November 2021, Mr. Fung has been appointed as an independent non-executive director of Zhong An Group Limited (眾安集團有限公司), a property developer whose shares are listed on the main board of the Stock Exchange (stock code: 672), where he has been primarily responsible for supervising and providing independent advice to the board.

Mr. Fung was admitted as a fellow member of the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") in October 2001 and September 2005, respectively. Mr. Fung is currently a fellow member of the HKICPA.

Mr. Fung received his bachelor's degree in accountancy from The Hong Kong Polytechnic University (formerly known as Hong Kong Polytechnic) in Hong Kong in October 1992.

Pursuant to the appointment letter with the Company, Mr. Fung is entitled to receive a basic annual director's fee of HK$300,000.

NG Yi Kum, aged 65, was appointed as an Independent Non-executive Director on 9 October 2020 and is responsible for providing independent advice on the operations and management of the Group.

From September 2005 to November 2007, she was an executive director of Hang Lung Properties Limited (恒隆地產有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 0101). Prior to her joining in Hang Lung Properties Limited, she worked as a senior vice president of the Stock Exchange. From January 2008 to April 2014, Ms. Ng was the chief financial officer of Country Garden Holdings Company Limited (碧桂園控股有限公司), a real estate development company whose shares are listed on the main board of the Stock Exchange (stock code: 2007). Ms. Ng joined Tse Sui Luen Jewellery (International) Limited (謝瑞麟珠寶(國際)有限公司) ("**TSL**"), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 417), in July 2015 and is currently an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary of TSL where she is primarily responsible for group finance and other administrative functions as well as defining corporate strategies.

Ms. Ng has been an independent non-executive director of Tianjin Development Holdings Limited (天津發展控股有限公司), a utilities, hotel, electrical and mechanical, strategic and other investments and pharmaceutical company whose shares are listed on the main board of the Stock Exchange (stock code: 882), since July 2010, an independent non-executive director of Comba Telecom Systems Holdings Limited (京信通信系統控股有限公司), a solution provider of wireless systems whose shares are listed on the main board of the Stock Exchange (stock code: 2342), since March 2019, an independent non-executive director of CMGE Technology Group Limited (中手游科技集團有限公司), a mobile game publisher whose shares are listed on the main board of the Stock Exchange (stock code: 302), since September 2019, and an independent non-executive director of Powerlong Commercial Management Holdings Limited (寶龍商業管理控股有限公司), a commercial operational and residential property management services provider whose shares are listed on the main board of the Stock Exchange (stock code: 9909), since December 2019.

While Ms. Ng is currently holding directorships in six other companies listed on the Stock Exchange as disclosed above, our Directors are of the view that Ms. Ng will be able to devote sufficient time to discharge her duties and responsibilities as an independent non-executive Director given that: (i) save for her role in TSL as an executive director, the deputy chairman, the chief strategy officer, the chief financial officer and the company secretary, her roles in the other five listed companies primarily require her to oversee their management independently, rather than to allocate substantial time on the participation of the day-to-day management and operations of their respective businesses; (ii) she has demonstrated that she is capable of devoting sufficient time to discharge her duties owed to each of these listed companies by attending board meetings and board committee meetings of these listed companies during their latest financial year; (iii) as retrieved from the annual report(s) of these listed companies, she has attended most of the board meetings, committee meetings and shareholders' meetings during her tenure as an independent non-executive director of Tianjin Development Holdings Limited, and all of the board meetings, committee meetings and shareholders' meetings during her tenure as an executive director of TSL, and as an independent non-executive director of Comba Telecom Systems Holdings Limited, CT Vision (International) Holdings Limited, CMGE Technology Group Limited and Powerlong Commercial Management Holdings Limited; (iv) as confirmed by Ms. Ng, none of the listed companies that she has a directorship with has questioned or complained about her time devoted to such companies; (v) she has acquired extensive management experience and developed substantial knowledge on corporate governance through her directorships in other listed companies, which is expected to facilitate the proper discharge of her duties and responsibilities as an independent non-executive director; (vi) Ms. Ng's role in the Group is non-executive in nature and she will not be involved in the daily management of the Group's business, thus her engagement as our Independent Non-executive Director will not require her full-time participation; and (vii) she has confirmed that she will have sufficient time to fulfill her duties as an Independent Non-executive Director notwithstanding her directorships in six other listed companies.

Ms. Ng served as a director of DS Healthcare Group, Inc. from May 2016 to May 2017, a company which develop proprietary technologies and products of hair care and personal care needs, whose shares were listed on the Nasdaq Capital Market in the United States (old stock code: DSKX) but were delisted in December 2016. She served as an independent director of China Mobile Games and Entertainment Group Limited, a mobile games company listed by way of American Depositary Shares on the Nasdaq Global Market in the United States, from September 2012 to August 2015. From June 2013 to August 2019, Ms. Ng was an independent non-executive director of China Power Clean Energy Development Company Limited (中國電力清潔能源發展有限公司), a clean energy development company which was delisted from the main board of the Stock Exchange (old stock code: 0735) in August 2019. Ms. Ng also served as an independent non-executive director of Hong Kong Resources Holdings Company Limited (香港資源控股有限公司), a jewelery company whose shares are listed on the main board of the Stock Exchange (stock code: 2882), from September 2008 to July 2015, an independent non-executive director of China Finance Investment Holdings Limited (中國金控投資集團有限公司) (formerly known as Cypress Jade Agricultural Holdings Limited (從玉農業控股有限公司)), a company principally engaged in agricultural business and money lending business whose shares are listed on the main board of the Stock Exchange (stock code: 0875), from December 2011 to June 2013, and an independent non-executive director of CT Vision S.L. (International) Holdings Limited (中天順聯(國際)控股有限公司) (formerly known as CT Vision (International) Holdings Limited (中天宏信(國際)控股有限公司) and Win Win Way Construction Holdings Limited (恆誠建築控股有限公司)), a construction company whose shares are listed on the main board of the Stock Exchange (stock code: 994), from March 2019 to June 2022.

Ms. Ng is a qualified accountant and holds a master's degree in business administration from the Hong Kong University of Science and Technology in Hong Kong. She is an associate of The Institute of Chartered Accountants in England and Wales, The Chartered Governance Institute, a fellow of the Association of Chartered Certified Accountants and the HKICPA and a member of the American Institute of Certified Public Accountants.

She is an elected member of Quality Tourism Services Association Governing Council (Retailer Category) with effect from February 2019. She has also contributed her time to various public service appointments, including being a co-opted member of the audit committee of the Hospital Authority from December 2002 to November 2013.

Pursuant to the appointment letter with the Company, Ms. Ng is entitled to receive a basic annual director's fee of HK$300,000.

Senior Management

Mr. WANG Jianhui, aged 48, joined the Group as the chief executive officer of the property management business in June 2022 and assists the Chief Executive Officer in the overall management of the Group.

Mr. Wang has extensive cross-industry experience, and valuable comprehensive experience in real estate development and operation management, management and organizational reform of large property groups, underlying insights and methodology of properties digital transformation and product implementation.

Prior to joining the Group, he served in Longfor Group and its related companies from June 2001 to November 2021, during which he served as civil engineer, research and development engineer, chief civil engineer, project manager and project director of Chongqing Longfor Properties Development Co., Ltd.* (重慶龍湖地產發展有限公司) from June 2001 to March 2010; he served as engineering director, deputy general manager and general manager of engineering and operation of Sunan Longfor Properties Development Co., Ltd.* (蘇南龍湖地產發展有限公司) from April 2010 to February 2015; he served as the general manager of the property service group of Longfor Property Service Group Co., Ltd.* (龍湖物業服務集團有限公司) from February 2015 to September 2017, responsible for the overall management of the group; he served as the senior vice president of Beijing Qianding Internet Company Limited* (北京千丁互聯科技有限公司) from September 2017 to November 2021, where he was responsible for market sales, company operation and digital products of property basic services.

Mr. Wang graduated from the School of Construction Engineering of Chongqing Architectural University (重慶建築大學) in 1998 with a bachelor's degree in engineering, majoring in industrial and civil construction. He graduated from Chongqing University in 2001 with a master's degree in management from the School of Construction Management and Real Estate, majoring in management science and engineering. Mr. Wang obtained the title of senior engineer of engineering technology in 2007. He was the vice chairman of the Standardization Working Committee of China Property Management Institute and the rotating chairman of the 4th China Quality Residence Alliance. He has published 6 academic papers in recent years, participated in 3 provincial and ministerial scientific research projects, participated in the compilation of 1 set of "12th Five-Year" planning teaching materials for ordinary higher education and 1 set of national "11th Five-Year" planning teaching materials.

Ms. ZHANG Wenli, aged 54, joined the Group in June 2004 as the general manager of Guangzhou Ningjun Property Management Co., Ltd., and served as the director of customer service department of KWG Group in September 2008, responsible for the national customer relationship management of KWG Group, and the general manager of commercial property management department of the Group in March 2020, responsible for the overall management of the commercial property management department of the Group. She then has been vice president of the Group since March 2021, responsible for investment development and post-investment corporate management for the Group.

Ms. Zhang has been deeply involved in the real estate and property management industry for more than 20 years. She was awarded the "July 1st" Outstanding Party Member and other honors. She has solid industry knowledge and extensive experience in property management and customer service. Prior to joining the Group, from January 1999 to June 2004, she was the managing director of Guangzhou Panyu Lijiang Garden Property Management Company Limited* (廣州番禺麗江花園物業管理有限公司), where she was responsible for the overall operation of the company.

Ms. Zhang graduated from Peking University majoring in law (correspondence course) in June 2002 and graduated from Guangzhou University majoring in Chinese secretary in July 1987.

KUANG Xiaoling, aged 46, joined the Group in March 2007 as a human resources supervisor and was appointed as our human resources general manager in September 2016. She is the general manager of the human resources and administration center of the Group since February 2020 and was then appointed as the vice president of the Group since March 2021. Ms. Kuang is primarily responsible for the management of human resources and administrative matters of the Group.

Prior to joining the Group, from June 2004 to July 2006, Ms. Kuang worked at Productivity (Guangzhou) Consulting Co., Ltd. (生產力(廣州)諮詢有限公司), a company engaged in the provision of environmental technology consulting services, where she served as a consultant responsible for providing human resources consulting services. From August 2005 to March 2006, she worked at PricewaterhouseCoopers, where she served as a senior consultant responsible for providing consulting services. From April 2006 to March 2007, she worked at Mercer Consulting (China) Co., Ltd. Guangzhou Branch (美世諮詢(中國)有限公司廣州分公司), a company engaged in providing enterprises management services, where she served as a consultant responsible for providing human resources consulting services.

Ms. Kuang graduated from Jiangxi Normal University (江西師範大學) in the PRC majoring in English in December 1998, and a master's degree in business administration from Sun Yat-sen University (中山大學) in the PRC in June 2004. Ms. Kuang obtained her Master's degree in business administration from China Europe International Business School in August 2021.

Mr. WANG Zhongqi, aged 39, joined the Group in October 2021 as a vice president and is responsible for the overall strategic deployment, business planning and major operational decisions of the Group, leading the improvement of service operation quality and the diversified innovation of business models, and contributing to the high-quality development of the Group.

Mr. Wang has been deeply involved in the property management industry for more than 16 years, and has extensive professional and multi-functional business practice and group management experience. In July 2006, he served as the group operation and development manager of Longfor Property Service Group Co., Ltd.* (龍湖物業服務集團有限公司), responsible for group's diversified business innovation. In September 2014, he served as the director of group operation and development of CIFI Ever Sunshine Services Group Limited, responsible for the deployment of business development and achievement of results of the group, and participated in the preparation for the listing of the group's shares on the National Equities Exchange and Quotations and Hong Kong. In April 2018, he served as the chief marketing officer and regional general manager of S-Enjoy Service Group Co., Limited, responsible for the group's innovation strategy research, the incubation and establishment of BU business, and the overall operation and management of regional companies. He has extensive experience in benchmarking enterprises and working experience in listed companies.

Mr. Wang obtained a double bachelor's degree in management and law from Southwest University of Political Science and Law in July 2006.

* *For identification purposes only*

Ernst & Young
27/F, One Taikoo Place
979 King's Road
Quarry Bay, Hong Kong

安永會計師事務所
香港鰂魚涌
英皇道979號
太古坊一座27樓

Tel 電話: +852 2846 9888
Fax 傳真: +852 2868 4432
ey.com

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of KWG Living Group Holdings Limited (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 72 to 163, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for opinion

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

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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill and other intangible assets	
As at 31 December 2022, the net carrying amounts of goodwill and other intangible assets arising from business combinations amounted to approximately RMB1,599,744,000 and RMB688,998,000, respectively. The Group's other intangible assets arising from business combinations comprised property management contracts, customer relationships and non-compete agreements, and all of these other intangible assets are with finite useful lives. In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* ("**HKAS 36**"), the Group is required to annually test the goodwill for impairment. Besides, according to HKAS 36, for an intangible asset with a finite useful life, the Group shall also assess at the end of each reporting period whether there is any indication that the intangible asset may be impaired, and shall test the intangible asset for impairment if such indication exists. Management's assessment on the impairment was complex and involves significant management judgements and estimates to determine the asset's recoverable amount, such as forecasted revenues, costs, expenses and discount rates, which are sensitive to the expected future market conditions and the relevant cash-generating units' actual performance. Relevant disclosures are included in notes 2.4, 3, 15 and 16 to the consolidated financial statements.	Our audit procedures included an analysis of the rationale and objective evidence used by management in evaluating whether there are impairment indicators for individual intangible asset arising from business combinations. If any impairment indicator exists, the related intangible asset is taken into further assessment about whether any impairment losses occur. For goodwill and those intangible assets arising from business combinations with impairment indicators, with the assistance from our valuation specialists, we evaluated the methodologies and assumptions used by the Group. We reviewed assumptions relating to the forecasted revenues, costs, expenses and discount rate for each cash-generating unit. We also focused on the adequacy of the Group's disclosures about those assumptions to which the outcome of the impairment test was most sensitive, that was, those that had the most significant effect on the determination of the recoverable amount of goodwill and other intangible assets arising from business combinations.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Key audit matters *(continued)*

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of trade receivables	
As at 31 December 2022, the gross amount of the Group's trade receivables amounted to RMB2,642,910,000, against which an allowance for impairment of RMB590,461,000 was made based on the expected credit loss approach under Hong Kong Financial Reporting Standard 9 *Financial Instruments*. Management assessed the expected credit losses for trade receivables based on assumptions about risk of default and expected credit loss rates. It involved significant judgements and estimates when management made these assumptions and selected the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of each reporting period. Relevant disclosures are included in notes 2.4, 3, and 20 to the consolidated financial statements.	Our procedures in relation to management's impairment assessment on trade receivables included assessing the appropriateness of the credit loss provisioning methodology adopted by management and the reasonableness of the estimated credit loss rates by considering historical cash collection performance and movements of the ageing of trade receivables, and taking into account the existing market conditions. We also assessed, on a sampling basis, the accuracy of ageing analysis of trade receivables prepared by management. Our testing also included checking the mathematical accuracy of the calculation of the provision for loss allowance.

Other information included in the Annual Report

The directors of the Company are responsible for the other information. The other information comprises 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.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Responsibilities of the directors for the consolidated financial statements

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

In preparing the consolidated financial statements, the directors of the Company 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 of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company 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. Our 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 HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

Auditor's responsibilities for the audit of the consolidated financial statements *(continued)*

As part of an audit in accordance with HKSAs, 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.

EY 安永

To the shareholders of KWG Living Group Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

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 to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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 Kwok Yin.

Ernst & Young
Certified Public Accountants
Hong Kong

26 April 2023

Consolidated Statement of Profit or Loss

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
REVENUE	5	**4,025,711**	3,255,446
Cost of sales		**(2,785,151)**	(2,029,338)
Gross profit		**1,240,560**	1,226,108
Other income and gains	5	**84,177**	26,606
Selling and distribution expenses		**(4,598)**	(4,795)
Administrative expenses		**(542,838)**	(333,176)
Other expenses, net		**(634,166)**	(22,842)
Finance costs	7	**(22,906)**	(261)
Share of profit and loss of:			
A joint venture	17	**1,164**	(836)
An associate	18	**2,040**	1,949
PROFIT BEFORE TAX	6	**123,433**	892,753
Income tax expense	10	**(63,582)**	(208,436)
PROFIT FOR THE YEAR		**59,851**	684,317
Attributable to:			
Owners of the parent		**3,412**	674,843
Non-controlling interests		**56,439**	9,474
		59,851	684,317
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic (expressed in RMB cents per share)	12	**—***	33
Diluted (expressed in RMB cents per share)	12	**—***	33

* The amount is less than RMB1 cent.

	2022 RMB'000	2021 RMB'000
PROFIT FOR THE YEAR	**59,851**	684,317
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(117,159)**	23,473
Net other comprehensive income/(loss) that may be reclassified to profit or loss in subsequent periods	**(117,159)**	23,473
Other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**203,564**	(69,322)
Net other comprehensive income/(loss) that will not be reclassified to profit or loss in subsequent periods	**203,564**	(69,322)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR	**86,405**	(45,849)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**146,256**	638,468
Attributable to:		
Owners of the parent	**89,817**	628,994
Non-controlling interests	**56,439**	9,474
	146,256	638,468

Consolidated Statement of Financial Position

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	13	**87,868**	8,762
Investment properties		**6,300**	—
Right-of-use assets	14	**14,807**	7,363
Goodwill	15	**1,599,744**	699,775
Other intangible assets	16	**698,583**	223,353
Investment in a joint venture	17	**2,778**	1,614
Investment in an associate	18	**7,438**	9,903
Deferred tax assets	19	**141,243**	18,873
Other financial asset		**—**	16,500
Other non-current assets		**1,725**	—
Prepayment for acquisition of subsidiaries	21	**—**	1,316,000
Total non-current assets		**2,560,486**	2,302,143
CURRENT ASSETS			
Trade receivables	20	**2,052,449**	1,062,032
Prepayments, other receivables and other assets	21	**464,843**	397,109
Restricted cash	22	**19,412**	7,189
Cash and cash equivalents	22	**1,847,501**	1,233,598
Total current assets		**4,384,205**	2,699,928
CURRENT LIABILITIES			
Trade payables	23	**575,369**	245,830
Other payables and accruals	24	**1,288,325**	857,583
Contract liabilities	5	**225,945**	101,967
Lease liabilities	14	**8,571**	6,137
Dividend payable	11	**109,000**	5,560
Interest-bearing bank and other borrowings	25	**174,244**	—
Tax payable		**367,044**	213,466
Financial liabilities at fair value through profit or loss	26	**211,809**	—
Total current liabilities		**2,960,307**	1,430,543
NET CURRENT ASSETS		**1,423,898**	1,269,385
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,984,384**	3,571,528
NON-CURRENT LIABILITIES			
Lease liabilities	14	**6,221**	1,393
Interest-bearing bank and other borrowings	25	**377,306**	—
Deferred tax liabilities	19	**172,338**	54,249
Total non-current liabilities		**555,865**	55,642
Net assets		**3,428,519**	3,515,886

	Notes	2022 RMB'000	2021 RMB'000
EQUITY			
Share capital	27	**17,568**	17,493
Reserves	29	**3,124,045**	3,449,015
Equity attributable to owners of the parent		**3,141,613**	3,466,508
Non-controlling interests		**286,906**	49,378
Total equity		**3,428,519**	3,515,886

KONG Jiannan
Director

YANG Jingbo
Director

Consolidated Statement of Changes in Equity

Year ended 31 December 2022

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 Note 29(a,b)	Employee share-based compensation reserve RMB'000 Note 29(c)	Statutory surplus funds RMB'000 Note 29(d)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	17,499	2,539,041	(26,608)	—	48,442	(73,766)	452,347	2,956,955	36,520	2,993,475
Profit for the year	—	—	—	—	—	—	674,843	674,843	9,474	684,317
Other comprehensive loss for the year:										
Exchange differences on translation into presentation currency	—	—	—	—	—	(45,849)	—	(45,849)	—	(45,849)
Total comprehensive income/(loss) for the year	—	—	—	—	—	(45,849)	674,843	628,994	9,474	638,468
Contribution from a shareholder (note 29(b))	—	—	1,189	—	—	—	—	1,189	—	1,189
Share-based compensation expenses (note 28))	—	—	—	3,414	—	—	—	3,414	—	3,414
Repurchase and cancellation of shares (note 27)	(6)	(2,969)	—	—	—	—	—	(2,975)	—	(2,975)
Acquisition of a subsidiary (note 31)	—	—	—	—	—	—	—	—	15,484	15,484
Proceeds from capital injection from a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	400	400
Transfer to statutory surplus funds	—	—	—	—	15,705	—	(15,705)	—	—	—
Final 2020 dividend declared	—	(121,069)	—	—	—	—	—	(121,069)	—	(121,069)
Dividend paid to a non-controlling shareholder of a subsidiary	—	—	—	—	—	—	—	—	(12,500)	(12,500)
At 31 December 2021	17,493	2,415,003*	(25,419)*	3,414*	64,147*	(119,615)*	1,111,485*	3,466,508	49,378	3,515,886

	Attributable to owners of the parent									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 Note 29(a,b)	Employee share-based compensation reserve RMB'000 Note 29(c)	Statutory surplus funds RMB'000 Note 29(d)	Exchange reserve RMB'000	Retained profits RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	17,493	2,415,003	(25,419)	3,414	64,147	(119,615)	1,111,485	3,466,508	49,378	3,515,886
Profit for the year	–	–	–	–	–	–	3,412	3,412	56,439	59,851
Other comprehensive income for the year:										
Exchange differences on translation into presentation currency	–	–	–	–	–	86,405	–	86,405	–	86,405
Total comprehensive income for the year	–	–	–	–	–	86,405	3,412	89,817	56,439	146,256
Contribution from a shareholder (note 29(b))	–	–	1,189	–	–	–	–	1,189	–	1,189
Share-based compensation expenses (note 28))	–	–	–	6,555	–	–	–	6,555	–	6,555
Acquisition of a subsidiary (note 31)	–	–	–	–	–	–	–	–	185,682	185,682
Proceeds from capital injection from a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	250	250
Transfer to statutory surplus funds	–	–	–	–	40,510	–	(40,510)	–	–	–
Final 2021 dividend declared	–	(242,053)	–	–	–	–	–	(242,053)	–	(242,053)
Shares issued as scrip dividend during the year (note 27)	75	16,512	–	–	–	–	–	16,587	–	16,587
Dividend paid to a non-controlling shareholder of a subsidiary	–	–	–	–	–	–	–	–	(4,732)	(4,732)
Transactions with non-controlling interests	–	–	111	–	–	–	–	111	(111)	–
Obligation of acquisition of the non-controlling interests of a subsidiary	–	–	(197,101)	–	–	–	–	(197,101)	–	(197,101)
At 31 December 2022	17,568	2,189,462*	(221,220)*	9,969*	104,657*	(33,210)*	1,074,387*	3,141,613	286,906	3,428,519

* These reserve accounts comprised the consolidated reserves of approximately RMB3,124,045,000 (2021: RMB3,449,015,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**123,433**	892,753
Adjustments for:			
Finance costs	7	**22,906**	261
Share of profit and loss of:			
A joint venture	17	**(1,164)**	836
An associate	18	**(2,040)**	(1,949)
Interest income	5	**(28,238)**	(6,042)
Income from wealth management financial products	5	**(1,914)**	(2,011)
Gain on disposal of items of property, plant and equipment and other intangible assets, net	5, 6	**(515)**	(134)
Depreciation of property, plant and equipment	6	**22,024**	3,797
Depreciation of right-of-use assets	6	**8,624**	7,645
Amortisation of other intangible assets	6	**119,730**	32,369
Impairment losses on financial assets, net	6	**426,096**	17,527
Impairment losses on goodwill	6	**143,415**	—
Fair value losses on financial liabilities at fair value through profit or loss	6	**10,723**	—
Share-based payment expense		**1,189**	1,189
Share-based compensation expense		**6,555**	3,414
		850,824	949,655
Increase in trade receivables		**(814,440)**	(466,013)
Decrease in prepayments, other receivables and other assets		**532,127**	852,304
(Increase)/decrease in other non-current assets		**(1,725)**	287
Increase in restricted cash		**(9,301)**	(1,300)
(Decrease)/increase in trade payables		**(185,954)**	83,609
Decrease in other payables and accruals		**(33,349)**	(1,025,449)
(Decrease)/increase in contract liabilities		**(12,966)**	2,752
Cash generated from operations		**325,216**	395,845
Interest received		**28,238**	6,042
Interest paid		**(408)**	(261)
Income tax paid		**(119,040)**	(127,309)
Net cash flows from operating activities		**234,006**	274,317

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of items of property, plant and equipment	13	**(22,343)**	(4,560)
Purchase of other intangible assets	16	**(2,343)**	(982)
Proceeds from disposal of items of property, plant and equipment and other intangible assets		**2,156**	475
Investment in a joint venture		**—**	(2,450)
Purchase of wealth management financial products		**(323,850)**	(228,764)
Disposal of wealth management financial products		**323,850**	228,764
Income received from wealth management financial products	5	**1,914**	2,011
Cash receipt of repayment of loan principal and interests		**620,961**	—
Cash advances made to related parties		**(394,156)**	(1,019,674)
Repayment from related parties		**294,664**	142,232
Prepayment for acquisition of a subsidiary		**—**	(1,316,000)
Investment in other financial asset		**—**	(16,500)
Acquisition of subsidiaries		**149,261**	(581,026)
Dividend received from an associate		**4,505**	—
Net cash flows from/(used in) investing activities		**654,619**	(2,796,474)
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of bank loans and other borrowings		**36,000**	—
Repayment of bank loans and other borrowings		**(154,067)**	—
Principal portion of lease payments		**(8,431)**	(7,195)
Proceeds from capital injection from non-controlling shareholders		**250**	400
Cash advances from related parties		**—**	985,374
Repayment of cash advances to related parties		**—**	(50)
Dividend paid to a non-controlling shareholder of a subsidiary		**(4,732)**	(12,500)
Dividends paid		**(122,026)**	(121,069)
Repurchase of shares	27	**—**	(2,975)
Interest paid		**(22,498)**	—
Net cash flows (used in)/from financing activities		**(275,504)**	841,985
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**613,121**	(1,680,172)
Cash and cash equivalents at beginning of the year		**1,233,598**	2,959,619
Effect of foreign exchange rate changes, net		**782**	(45,849)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,847,501**	1,233,598
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		**1,847,501**	1,233,598
Cash and cash equivalents as stated in the statement of financial position and statement of cash flows		**1,847,501**	1,233,598

1. Corporate and Group Information

General information

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

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

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

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Robust Profit Enterprises Limited	BVI	US$50,000	100	—	Investment holding
Forever Fame Enterprises Limited	BVI	US$50,000	—	100	Investment holding
Ever Thriving Developments Limited	BVI	US$1	—	100	Investment holding
Gorgeous Chance Development Limited	Hong Kong	HK$1	—	100	Investment holding
KWG Living Group (Hong Kong) Co., Ltd.	Hong Kong	HK$1	—	100	Investment holding
Guangzhou Ningjun Property Management Co., Ltd. ("**Ningjun Property**")#	PRC/Mainland China	RMB70,000,000	—	100	Property management
Guangdong Hejing Youhuo Holdings Group Co., Ltd. ("**Guangdong Hejing Youhuo**")#^	PRC/Mainland China	RMB2,250,000,000	—	100	Business services
Guangzhou Guanli Property Agency Co., Ltd.#	PRC/Mainland China	RMB1,000,000	—	100	Real estate intermediary business
Guangzhou Liheng Commercial Management Co., Ltd.#	PRC/Mainland China	RMB100,000,000	—	100	Commercial operational services
Meishan Jiangtianyue Property Management Co., Ltd.#	PRC/Mainland China	RMB5,000,000	—	100	Property management
Guangzhou Lijun Property Management Co., Ltd.#	PRC/Mainland China	RMB100,000,000	—	100	Property management
Guangzhou Fuxin Property Management Co., Ltd.#	PRC/Mainland China	RMB7,000,000	—	100	Property management
Guangzhou Fuyu Property Management Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Property management

1. Corporate and Group Information *(continued)*

Information about subsidiaries *(continued)*

Name	Place of incorporation/ registration and business	Nominal value of issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Guangdong Gangyu Enterprise Management Co., Ltd. ("**Gangyu Enterprise**")#	PRC/Mainland China	RMB5,000,000	—	100	Business services
Guangzhou Yijia Chuangsheng Property Management Co., Ltd.#	PRC/Mainland China	RMB20,000,000	—	100	Property management
Guangzhou Huanyu Property Management Co., Ltd.#	PRC/Mainland China	RMB2,000,000	—	60	Property management
Foshan Xingyu Property Management Co., Ltd.#	PRC/Mainland China	RMB500,000	—	60	Property management
Taizhou Yuncheng Property Management Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	60	Property management
Guangzhou Runtong Property Management Co., Ltd. ("**Guangzhou Runtong**")#	PRC/Mainland China	RMB11,180,000	—	80	Property management
Shanghai Shenqin Property Management Service Co., Ltd. ("**Shanghai Shenqin**")#	PRC/Mainland China	RMB40,000,000	—	80	Property management
Guangzhou Junchang Property Management Co., Ltd.#	PRC/Mainland China	RMB50,000,000	—	100	Property management
Jiangsu Nuoshang Property Agency Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Real estate consultant
Guangxi Yaotai Advertising Planning Co., Ltd.#	PRC/Mainland China	RMB10,000,000	—	100	Advertising planning
Guangdong Telijie Environment Engineering Co., Ltd. ("**Guangdong Telijie**")#	PRC/Mainland China	RMB30,010,000	—	55	Urban and rural environmental sanitation service
Living Technology Co., Ltd. ("**Living Technology**")#	PRC/Mainland China	RMB787,500,000	—	80	Investment holding
Shanghai Culture Yinwan Property Management Co., Ltd#	PRC/Mainland China	RMB200,000,000	—	73.6	Property management
Guangzhou Qingde Property Management Co., Ltd.#	PRC/Mainland China	RMB60,000,000	—	80	Property management
Guangzhou Junhua Property Service Co., Ltd.#	PRC/Mainland China	RMB5,000,000	—	80	Property management
Hunan Huating Property Management Co., Ltd.#	PRC/Mainland China	RMB20,000,000	—	64	Property management
Hunan Jiayuan Property Management Co., Ltd.#	PRC/Mainland China	RMB76,000,000	—	80	Property management
Zhoushan Putuo Zhongan Property Co., Ltd.#	PRC/Mainland China	RMB3,000,000	—	72	Property management
Guangdong Hongshun Property Service Co., Ltd.#	PRC/Mainland China	RMB51,800,000	—	64	Property management
Nanjing Yonghe Property Management Co., Ltd.#	PRC/Mainland China	RMB5,000,000	—	79.7	Property management

\# The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

^ This entity is registered as a wholly-foreign-owned enterprise under PRC law.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particular of excessive length.

2.1 Basis of Preparation

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

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

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

2.2 Changes in Accounting Policies and Disclosures

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

Amendments to HKFRS 3	*Reference to the Conceptual Framework*
Amendments to HKAS 16	*Property, Plant and Equipment: Proceeds before Intended Use*
Amendments to HKAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*
Annual Improvements to HKFRSs 2018–2020	Amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "**Conceptual Framework**") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the year, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced prior to the property, plant and equipment being available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

2.2 Changes in Accounting Policies and Disclosures *(continued)*

(d) *Annual Improvements to HKFRSs 2018–2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendment that is applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification or exchange of the Group's financial liabilities during the year, the amendment did not have any impact on the financial position or performance of the Group.

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards

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

Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[2]
HKFRS 17	*Insurance Contracts*[1]
Amendments to HKFRS 17	*Insurance Contracts*[1, 5]
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")[2, 4]
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")[2]
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to HKAS 8	*Definition of Accounting Estimates*[1]
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023
2 Effective for annual periods beginning on or after 1 January 2024
3 No mandatory effective date yet determined but available for adoption
4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements — Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

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

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement , only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

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

2.3 Issued but not yet Effective Hong Kong Financial Reporting Standards *(continued)*

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

2.4 Summary of Significant Accounting Policies

Investments in associates and joint ventures

An associate is an entity in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. Adjustments are made to bring into line any dissimilar accounting policies that may exist. The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations other than those under common control and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Business combinations other than those under common control and goodwill *(continued)*

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

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

Level 1 — based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 — based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years.

Related parties

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

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.4 Summary of Significant Accounting Policies *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(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); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

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

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

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

Buildings (excluding the right-of-use assets)	5% to 33%
Plant and machinery	9% to 33%
Furniture and fixtures	18% to 33%
Motor vehicles (excluding the right-of-use assets)	9% to 50%

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Intangible assets (other than goodwill)

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

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful lives of 1 to 10 years.

Property management contracts acquired in business combinations

Property management contracts acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 2 to 4 years.

Customer relationships acquired in business combinations

Customer relationships acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 10 years. The Group estimates the useful life of the customer relationships and determines the amortisation periods with reference to its industry experience and taking into account the customer turnover history and expectation of the renewal pattern of property management contracts.

Non-compete agreements acquired in business combinations

Non-compete agreements acquired in business combinations are recognised at fair value at the acquisition date and are amortised on the straight-line basis over their estimated useful lives of 9 months to 7 years.

Leases

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

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

(a) Right-of-use assets

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

Buildings	14 months to 20 years

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

(b) Lease liabilities

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Leases *(continued)*

Group as a lessee *(continued)*

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

The Group applies the short-term lease recognition exemption to its short-term leases of buildings (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

Investments and other financial assets

Initial recognition and measurement

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Investments and other financial assets *(continued)*

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

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

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

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

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Impairment of financial assets

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

General approach

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

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

Simplified approach

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

2.4 Summary of Significant Accounting Policies *(continued)*

Financial liabilities

Initial recognition and measurement

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

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

The Group's financial liabilities include trade and other payables, interest-bearing bank and other borrowings, and financial liabilities at fair value through profit or loss.

Subsequent measurement

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

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities designated upon initial recognition as at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in HKFRS 9 are satisfied. Gains or losses on liabilities designated at fair value through profit or loss are recognised in the statement of profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income with no subsequent reclassification to the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost

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

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

Financial guarantee contracts

Financial guarantee contracts issued by the Group are those contracts that require a payment to be made to reimburse the holder for a loss it incurs because the specified debtor fails to make a payment when due in accordance with the terms of a debt instrument. A financial guarantee contract is recognised initially as a liability at its fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the Group measures the financial guarantee contracts at the higher of: (i) the ECL allowance determined in accordance with the policy as set out in "Impairment of financial assets"; and (ii) the amount initially recognised less, when appropriate, the cumulative amount of income recognised.

2.4 Summary of Significant Accounting Policies *(continued)*

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

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

Provisions

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

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

Income tax

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

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

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

2.4 Summary of Significant Accounting Policies *(continued)*

Income tax *(continued)*

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

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, an associate and a joint venture, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, an associate and a joint venture, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

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

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

Government grants

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

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition

Revenue from contracts with customers

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

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

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

(a) Residential property management services

The Group provides residential property management services, pre-sale management services and community value-added services related to the residential properties to property developers, property owners, property owners' associations or residents.

(i) For residential property management services, the Group bills a fixed amount for services provided on a monthly or quarterly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(ii) Pre-sale management services mainly include cleaning, security and maintenance services for pre-sale display units and sales offices to property developers at the pre-delivery stage. The Group agrees the price for each service with the property developers upfront, issues the monthly bill to the property developers which varies based on the actual level of service completed in that month, and recognises revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

(iii) For community value-added services, such as resident services and property agency services to property developers, revenue is recognised when the related value-added services are rendered. Payment of the transaction is due immediately when the value-added services are rendered to the customer.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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

The Group provides commercial property management services, pre-sale management services, commercial operational services and other value-added services related to the commercial properties, including office buildings and shopping malls, to property developers, owners of the commercial properties or tenants.

(i) The Group enters into commercial property management service contracts with property owners or tenants, pursuant to which the Group provides commercial property management services including file management, cleaning, security and maintenance services.

For the provision of commercial property management services to property owners or tenants at the operation stage of the commercial properties, the Group recognises the fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group and all the related management costs as its cost of services.

(ii) The Group enters into pre-sale management services with property developers or owners of the commercial properties, pursuant to which the Group provides cleaning, security and maintenance services for pre-sale display units and sales offices at the pre-delivery stage. The Group agrees the price for each service with the customers upfront and issues the monthly bill to the customers which varies based on the actual level of service completed in that month.

(iii) The Group enters into commercial operational service contracts with property developers or owners of office buildings and shopping malls, pursuant to which the Group provides the following services:

— preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services to property owners during the preparation stage; and

— commercial operational services during the operation stage, including tenant management services.

Revenue in respect of the provision of preliminary planning and consultancy services, tenant sourcing services, and marketing and promotion services was recognised over the period of the contract by reference to the progress towards complete satisfaction of the performance obligation.

For commercial operational services during the operational stage, the Group bills a service fee based on a net basis with respect to shopping malls or a profit mark-up on top of cost with respect to office buildings.

2.4 Summary of Significant Accounting Policies *(continued)*

Revenue recognition *(continued)*

Revenue from contracts with customers *(continued)*

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

(iv) The Group provides other value-added services including mainly car parks, advertising spaces and common area management services.

When the Group leases car parks from property developers and operates the leased car parks, revenue is recognised when the related service is rendered. The Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management service income from properties managed under a lump sum basis, where the Group acts as a principal and is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management service income from properties managed under a commission basis, the Group recognises the revenue, which is calculated by a certain percentage of the total property management fee received or receivable from the property units on behalf of the property owners, for arranging and monitoring the services as provided by other suppliers to the property owners.

Other income

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

Contract liabilities

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

Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees for grants after 7 November 2002 is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 28 to the financial statements.

2.4 Summary of Significant Accounting Policies *(continued)*

Share-based payments *(continued)*

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

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

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

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

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

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

2.4 Summary of Significant Accounting Policies *(continued)*

Other employee benefits

Pension schemes

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme. During the year ended 31 December 2022, the Group had no forfeited contributions available to reduce its contribution to the pension schemes in future years.

The Group also operates pension scheme under the rules and regulations of the Mandatory Provident Fund Scheme Ordinance (the "**MPF Scheme**") for all its qualifying employees in Hong Kong. The assets of the scheme are held separately from those of the Group, in funds under the control of trustees. Under the rules of the MPF Scheme, the employer and its employees are each required to make contributions to the scheme at rates specified in the rules. There are no provisions under the scheme whereby forfeited contributions may be used to reduce the existing level of contributions.

Borrowing costs

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

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting. Proposed final dividends are disclosed in the notes to the financial statements.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.4 Summary of Significant Accounting Policies *(continued)*

Foreign currencies

The financial statements is presented in RMB. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period.

Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss. These are recognised in other comprehensive income until the net investment is disposed of, at which time the cumulative amount is reclassified to the statement of profit or loss. Tax charges and credits attributable to exchange differences on those monetary items are also recorded in other comprehensive income.

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

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

The functional currency of the Company and certain of its Hong Kong and overseas subsidiaries is the Hong Kong dollar (“**HK$**”). As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on acquisition are treated as assets and liabilities of the foreign operation and translated at the closing rate.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company, and its Hong Kong and overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company and its overseas subsidiaries which arise throughout the reporting period are translated into RMB at the weighted average exchange rates for the reporting period.

3. Significant Accounting Judgements and Estimates

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

Estimation uncertainty

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

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The net carrying amount of goodwill at 31 December 2022 was approximately RMB1,599,744,000 (2021: approximately RMB699,775,000). Further details are given in note 15 to the financial statements.

Provision for expected credit losses on trade receivables and other receivables

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

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in note 20 and note 21 to the financial statements, respectively.

Leases — Estimating the incremental borrowing rate

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

3. Significant Accounting Judgements and Estimates *(continued)*

Estimation uncertainty *(continued)*

Impairment of non-financial assets (other than goodwill)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 were approximately RMB6,158,000. The amount of unrecognised tax losses at 31 December 2022 were approximately RMB9,151,000. Further details are contained in note 19 to the financial statements.

4. Operating Segment Information

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

(a) Residential property management services; and

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

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

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

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

4. Operating Segment Information *(continued)*

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

Year ended 31 December 2022

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	1,875,125	2,150,586	4,025,711
Segment result	477,276	379,510	856,786
Reconciliation:			
Interest income and unallocated income			84,177
Unallocated expenses			(794,624)
Finance costs			(22,906)
Profit before tax			123,433
Income tax expense			(63,582)
Profit for the year			59,851
Other segment information			
Share of profit and loss of:			
A joint venture	–	1,164	1,164
An associate	–	2,040	2,040
Depreciation of property, plant and equipment			22,024
Amortisation of other intangible assets			119,730
Depreciation of right-of-use assets			8,624
Impairment losses on goodwill			143,415
Impairment losses on trade receivables, net			435,576
Reversal of impairment losses on other receivables, net			(9,480)
Fair value losses on financial liabilities at fair value through profit or loss			10,723
Capital expenditure*	12,282	181,220	193,502
Unallocated amounts of capital expenditure			520,297
			713,799

4. Operating Segment Information *(continued)*

Year ended 31 December 2021

	Residential property management services RMB'000	Non-residential property management and commercial operational services RMB'000	Total RMB'000
Segment revenue	1,936,591	1,318,855	3,255,446
Segment result	603,233	353,097	956,330
Reconciliation:			
Interest income and unallocated income			26,606
Unallocated expenses			(89,922)
Finance costs			(261)
Profit before tax			892,753
Income tax expense			(208,436)
Profit for the year			684,317
Other segment information			
Share of profit and loss of:			
A joint venture	—	(836)	(836)
An associate	—	1,949	1,949
Depreciation of property, plant and equipment	2,197	1,600	3,797
Amortisation of other intangible assets			32,369
Depreciation of right-of-use assets			7,645
Impairment losses on trade receivables, net	6,288	4,401	10,689
Impairment losses on other receivables, net	6,367	471	6,838
Capital expenditure*	3,750	98,681	102,431
Unallocated amounts of capital expenditure			8,276
			110,707

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

Geographical information

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

4. Operating Segment Information *(continued)*

Information about major customers

For the years ended 31 December 2022 and 2021, approximately RMB860,310,000 and RMB1,201,000,000 of revenue were derived from KWG Group Holdings Limited ("**KWG Holdings**") and its subsidiaries and its joint ventures, associates and other related parties, respectively.

5. Revenue, Other Income and Gains and Contract Liabilities

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

Revenue from contracts with customers

(a) Disaggregated revenue information

	2022 RMB'000	2021 RMB'000
Types of services by segment		
Residential property management services		
Pre-sale management services	**260,427**	383,669
Property management services	**1,283,538**	948,241
Community value-added services	**331,160**	604,681
	1,875,125	1,936,591
Non-residential property management and commercial operational services		
Pre-sale management services	**31,397**	30,218
Property management services	**1,866,277**	1,057,253
Commercial operational services	**134,455**	133,860
Other value-added services	**118,457**	97,524
	2,150,586	1,318,855
Total revenue from contracts with customers	**4,025,711**	3,255,446
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**3,684,708**	2,553,241
Revenue from contracts with customers recognised at a point in time	**341,003**	702,205
Total	**4,025,711**	3,255,446

5. Revenue, Other Income and Gains and Contract Liabilities *(continued)*

Revenue from contracts with customers *(continued)*

(a) Disaggregated revenue information *(continued)*

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Third parties	**223,113**	100,175
Related parties (note 36(c))	**2,832**	1,792
Contract liabilities	**225,945**	101,967

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2022 was mainly due to the increase in advances received from customers in relation to the provision of property management services at the end of the year.

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

	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	**83,722**	58,385
Non-residential property management and commercial operational services	**16,442**	13,344
	100,164	71,729

5. Revenue, Other Income and Gains and Contract Liabilities *(continued)*

Revenue from contracts with customers *(continued)*

(b) Performance obligations

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

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

	2022 RMB'000	2021 RMB'000
Other income and gains		
Interest income	**28,238**	6,042
Government grants	**15,803**	5,856
Gain on disposal of items of property, plant and equipment, net	**515**	134
Late penalty income	**5,596**	1,832
Tax incentives on value-added tax	**23,359**	6,268
Realised income from wealth management financial products	**1,914**	2,011
Others	**8,752**	4,463
	84,177	26,606

6. Profit before Tax

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

	Notes	2022 RMB'000	2021 RMB'000
Cost of services provided		**2,785,151**	2,029,338
Depreciation of property, plant and equipment	13	**22,024**	3,797
Depreciation of right-of-use assets	14	**8,624**	7,645
Amortisation of other intangible assets	16	**119,730**	32,369
Auditors' remuneration		**4,528**	3,800
Gain on disposal of items of property, plant and equipment, net		**(515)**	(134)
Fair value losses on financial liabilities at fair value through profit or loss*		**10,723**	—
Employee benefit expense (excluding directors' and chief executive's remuneration (note 8)):			
Wages and salaries		**1,263,601**	1,157,952
Share-based compensation expense		**6,093**	2,882
Pension scheme contributions		**129,908**	100,810
		1,399,602	1,261,644
Impairment losses on goodwill*		**143,415**	—
Net impairment losses recognised/(reversed) on financial assets			
Trade receivables*	20	**435,576**	10,689
Other receivables*	21	**(9,480)**	6,838
		426,096	17,527
Rental expense:			
Short-term leases and low-value leases	14(b)	**11,204**	16,087

* Fair value losses on financial liabilities at fair value through profit or loss, impairment losses on goodwill and impairment/reversal of impairment of trade receivables and other receivables are included in "Other expenses, net" in the consolidated statement of profit or loss.

7. Finance Costs

An analysis of finance costs is as follows:

	Note	2022 RMB'000	2021 RMB'000
Interest on bank and other borrowings		**22,498**	—
Interest on lease liabilities	14	**408**	261
		22,906	261

8. Directors' and Chief Executive's Remuneration

Directors' and chief executive's remuneration for the year, disclosed pursuant to the Rules Governing the Listing of Securities on the Stock Exchange, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2022 RMB'000	2021 RMB'000
Fees	**1,337**	1,368
Other emoluments:		
Salaries, allowances and benefits in kind	**2,335**	2,775
Share-based compensation expenses	**462**	532
Pension scheme contributions	**65**	82
	2,862	3,389
	4,199	4,757

In 2021, Mr. WANG Yue and Ms. YANG Jingbo were granted share-based payment, in respect of their services to the Group, under the share-based payment scheme of the Company. The fair value of such payment, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the amount included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2022 RMB'000	2021 RMB'000
Ms. LIU Xiaolan	**257**	249
Mr. FUNG Che Wai, Anthony	**257**	249
Ms. NG Yi Kum	**257**	249
	771	747

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

8. Directors' and Chief Executive's Remuneration *(continued)*

(b) Executive directors, a non-executive director and the chief executive

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive director and chief executive:					
Mr. KONG Jiannan	**128**	**–**	**–**	**–**	**128**
Executive directors:					
Mr. WANG Yue (note)	**53**	**1,120**	**156**	**23**	**1,352**
Ms. YANG Jingbo	**128**	**1,215**	**306**	**42**	**1,691**
	181	**2,335**	**462**	**65**	**3,043**
Non-executive director:					
Mr. KONG Jianmin	**257**	**–**	**–**	**–**	**257**
	566	**2,335**	**462**	**65**	**3,428**

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year ended 31 December 2022.

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Share-based compensation expenses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive director and chief executive:					
Mr. KONG Jiannan	124	—	—	—	124
Executive directors:					
Mr. WANG Yue (note)	124	1,730	266	46	2,166
Ms. YANG Jingbo	124	1,045	266	36	1,471
	248	2,775	532	82	3,637
Non-executive director:					
Mr. KONG Jianmin	249	—	—	—	249
	621	2,775	532	82	4,010

Note:

Wang Yue resigned from the position as the executive director of the Company with effect from 31 May 2022.

9. Five Highest Paid Employees

The five highest paid employees during the year included one director (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the remaining four (2021: four) highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	6,266	5,033
Share-based compensation expenses	611	659
Pension scheme contributions	172	142
	7,049	5,834

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

	2022	2021
Nil to HK$1,000,000	—	—
HK$1,000,001 to HK$1,500,000	—	—
HK$1,500,001 to HK$2,000,000	2	4
HK$2,000,001 to HK$2,500,000	2	—
	4	4

10. Income Tax

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

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Mainland China was calculated at the tax rate of 25% on their assessable profits for the year, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% for the year.

10. Income Tax *(continued)*

	Note	2022 RMB'000	2021 RMB'000
Current		**199,975**	216,419
Deferred	19	**(136,393)**	(7,983)
		63,582	208,436

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

	2022 RMB'000	2021 RMB'000
Profit before tax	**123,433**	892,753
Tax at the statutory tax rate (25%)	**30,858**	223,188
Lower tax rates for specific provinces	**(41,583)**	(31,092)
Expenses not deductible for tax	**72,965**	16,470
Profit and loss attributable to a joint venture	**(291)**	209
Profit and loss attributable to an associate	**(510)**	(487)
Tax losses not recognised	**2,143**	148
Tax charge for the year	**63,582**	208,436

11. Dividends

The Board does not recommend any final dividend for the year ended 31 December 2022.

The 2021 final dividend of RMB12 cents per share, totalling RMB242,053,000, was approved by the Company's shareholders at the annual general meeting held on 2 June 2022.

12. Earnings per Share Attributable to Ordinary Equity Holders of the Parent

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,020,657,644 (2021: 2,017,611,329) in issue during the year ended 31 December 2022.

The calculation of the diluted earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, adjusted to reflect the impact on earnings arising from the share option scheme and the share award scheme adopted by the Group, where applicable. The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise or vest of all dilutive potential ordinary shares into ordinary shares.

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

	2022 **RMB'000**	2021 RMB'000
Earnings		
Profit attributable to ordinary equity holders of the parent, used in the basic and diluted earnings per share calculations	**3,412**	674,843

	Number of shares	
	2022	2021
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation	**2,020,657,644**	2,017,611,329
Effect of dilution — weighted average number of ordinary shares:		
Share options	**485,667**	263,638
Awarded shares	**1,091,033**	640,899
	2,022,234,344*	2,018,515,866*

* Because the exercise prices of the share options were higher than the average market price of the Company's shares during the year, the share options were ignored in the calculation of diluted earnings per share. Therefore, the diluted earnings per share amount is based on the profit for the year attributable to ordinary equity holders of approximately RMB3,412,000 (2021: RMB674,843,000), and the weighted average number of ordinary shares of 2,021,748,677 in issue during the year (2021: 2,018,252,228).

13. Property, Plant and Equipment

	Note	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022:						
Cost		542	3,399	13,989	4,962	22,892
Accumulated depreciation		(349)	(1,715)	(8,837)	(3,229)	(14,130)
Net carrying amount		193	1,684	5,152	1,733	8,762
At 1 January 2022, net of accumulated depreciation		193	1,684	5,152	1,733	8,762
Additions		–	6,966	2,859	12,518	22,343
Acquisition of subsidiaries	31	1,420	5,001	4,950	68,851	80,222
Disposals		(62)	(315)	(509)	(549)	(1,435)
Depreciation provided during the year		(61)	(3,672)	(2,796)	(15,495)	(22,024)
At 31 December 2022, net of accumulated depreciation		1,490	9,664	9,656	67,058	87,868
At 31 December 2022:						
Cost		1,841	14,722	20,081	81,764	118,408
Accumulated depreciation		(351)	(5,058)	(10,425)	(14,706)	(30,540)
Net carrying amount		1,490	9,664	9,656	67,058	87,868

13. Property, Plant and Equipment *(continued)*

	Note	Buildings RMB'000	Plant and machinery RMB'000	Furniture and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021:						
Cost		954	2,587	10,961	4,433	18,935
Accumulated depreciation		(482)	(508)	(7,478)	(2,227)	(10,695)
Net carrying amount		472	2,079	3,483	2,206	8,240
At 1 January 2021, net of accumulated depreciation		472	2,079	3,483	2,206	8,240
Additions		—	812	3,087	661	4,560
Acquisition of subsidiaries	31	—	—	100	—	100
Disposals		(279)	—	(62)	—	(341)
Depreciation provided during the year		—	(1,207)	(1,456)	(1,134)	(3,797)
At 31 December 2021, net of accumulated depreciation		193	1,684	5,152	1,733	8,762
At 31 December 2021:						
Cost		542	3,399	13,989	4,962	22,892
Accumulated depreciation		(349)	(1,715)	(8,837)	(3,229)	(14,130)
Net carrying amount		193	1,684	5,152	1,733	8,762

At 31 December 2022, the Group's certain property, plant and equipment with an aggregate net carrying amount of approximately RMB19,861,000 (2021: Nil) were pledged to secure bank and other borrowings granted to the Group (note 34).

14. Leases

The Group as a lessee

The Group has lease contracts for buildings and motor vehicles used in its operations. Leases of buildings generally have lease terms between 3 months to 20 years, while motor vehicles generally have lease terms between 1 to 2 years and/or is individually of low value. The Group is restricted from assigning and subleasing the leased assets outside the Group according to the terms in certain agreements.

(a) Right-of-use assets and lease liabilities

The carrying amounts of the Group's right-of-use assets and lease liabilities and their movements during the reporting period are as follows:

	Notes	Right-of-use assets Buildings RMB'000	Right-of-use assets Motor vehicles RMB'000	Right-of-use assets Total RMB'000	Lease liabilities RMB'000
At 1 January 2021		6,827	—	6,827	6,729
New leases		8,181	—	8,181	7,996
Depreciation charge		(7,645)	—	(7,645)	—
Accretion of interest recognised during the year	7	—	—	—	261
Payments		—	—	—	(7,456)
At 31 December 2021		7,363	—	7,363	7,530
At 1 January 2022		**7,363**	**—**	**7,363**	**7,530**
Acquisition of subsidiaries	31	**7,269**	**84**	**7,353**	**7,026**
New leases		**8,715**	**—**	**8,715**	**8,667**
Depreciation charge		**(8,624)**	**—**	**(8,624)**	**—**
Accretion of interest recognised during the year	7	**—**	**—**	**—**	**408**
Payments		**—**	**—**	**—**	**(8,839)**
At 31 December 2022		**14,723**	**84**	**14,807**	**14,792**

	2022 RMB'000	2021 RMB'000
Lease liabilities analysed into:		
Current portion	**8,571**	6,137
Non-current portion	**6,221**	1,393
	14,792	7,530

The maturity analysis of lease liabilities is disclosed in note 39(c) to the financial statements.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain buildings during the year.

14. Leases *(continued)*

The Group as a lessee *(continued)*

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

	Note	2022 RMB'000	2021 RMB'000
Interest on lease liabilities		**408**	261
Depreciation charge of right-of-use assets		**8,624**	7,645
Expense relating to short-term leases and low-value leases	6	**11,204**	16,087
Total amount recognised in profit or loss		**20,236**	23,993

(c) *The total cash outflow for leases is disclosed in note 32(c) to the financial statements.*

15. Goodwill

	Note	RMB'000
At 1 January 2021:		
Cost and net carrying amount		260,208
Acquisition of subsidiaries	31	439,567
Cost and net carrying amount at 31 December 2021		699,775
At 1 January 2022:		
Cost and net carrying amount		**699,775**
Acquisition of subsidiaries	31	**1,043,384**
Impairment during the year		**(143,415)**
Cost and net carrying amount at 31 December 2022		**1,599,744**
At 31 December 2022:		
Cost		**1,743,159**
Accumulated impairment		**(143,415)**
Net carrying amount		**1,599,744**

During the year ended 31 December 2022, the Group completed acquisition of Living Technology and Guangdong Telijie from independent third parties, which are engaged in the provision of property management services and urban and rural environmental sanitation services. Details of the acquisitions are disclosed in note 31 to the financial statements.

15. Goodwill *(continued)*

Impairment testing of goodwill

For the purpose of impairment testing, goodwill acquired through business combination is allocated to each of the cash-generating units ("**CGUs**"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

The recoverable amount CGU has been determined based on a value in use calculation using cash flow projection based on a financial budget covering a five-year period approved by senior management.

As at 31 December 2022

CGU	Principal business	Allocated goodwill RMB'000	Annual revenue growth rate	Terminal growth rate	Pre-tax discount rate
Gangyu Enterprise	Property management	134,718	2.0%–3.0%	2.0%	18.8%
Guangzhou Runtong	Property management	125,490	3.5%–6.0%	3.0%	18.6%
Shanghai Shenqin	Property management	439,567	3.0%–4.5%	3.0%	18.2%
Guangdong Telijie	Urban and rural environmental sanitation service	135,678	3.0%–10.0%	3.0%	12.5%
Living Technology	Property management	907,706	2.5%–5.0%	2.5%	18.1%

Assumptions were used in the value in use calculation of the CGU. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Annual revenue growth rate — The predicted revenue growth rate of the CGU for the five years subsequent to the date of assessment is one of the assumptions used in the value-in-use calculations.

Terminal growth rate — The growth rate used to extrapolate the cash flows of the CGU beyond the five-year period is estimated to be 2.0%–3.0%, which has taken into consideration the prevailing industry practice.

Discount rate — The discount rate used is before tax and reflects specific risks relating to the relevant units.

The values assigned to the key assumptions are consistent with external information sources.

As at 31 December 2022

CGU	Allocated goodwill RMB'000	Recoverable amount RMB'000	Impairment recognised RMB'000
Shanghai Shenqin	439,567	356,986	82,581
Living Technology	907,706	846,872	60,834
	1,347,273	1,203,858	143,415

The directors of the Company are of the view that any reasonably possible change in any of the key assumptions would not cause the carrying amounts of the CGUs of Gangyu Enterprise, Guangzhou Runtong and Guangdong Telijie to exceed their recoverable amounts as at 31 December 2022.

16. Other Intangible Assets

	Property management contracts RMB'000	Customer relationships RMB'000	Software RMB'000	Non-compete agreements RMB'000	Total RMB'000
31 December 2022					
Cost at 1 January 2022, net of accumulated amortisation	**34,416**	**166,795**	**6,355**	**15,787**	**223,353**
Additions	**—**	**—**	**2,343**	**—**	**2,343**
Acquisition of subsidiaries (note 31)	**130,085**	**455,134**	**3,100**	**4,504**	**592,823**
Disposal	**—**	**—**	**(206)**	**—**	**(206)**
Amortisation provided during the year	**(49,762)**	**(58,767)**	**(2,007)**	**(9,194)**	**(119,730)**
At 31 December 2022	**114,739**	**563,162**	**9,585**	**11,097**	**698,583**
At 31 December 2022:					
Cost	**203,872**	**651,567**	**16,235**	**22,872**	**894,546**
Accumulated amortisation	**(89,133)**	**(88,405)**	**(6,650)**	**(11,775)**	**(195,963)**
Net carrying amount	**114,739**	**563,162**	**9,585**	**11,097**	**698,583**
31 December 2021					
Cost at 1 January 2021, net of accumulated amortisation	27,569	116,040	6,723	7,524	157,856
Additions	—	—	982	—	982
Acquisition of subsidiaries (note 31)	19,522	66,518	—	10,844	96,884
Amortisation provided during the year	(12,675)	(15,763)	(1,350)	(2,581)	(32,369)
At 31 December 2021	34,416	166,795	6,355	15,787	223,353
At 31 December 2021:					
Cost	73,787	196,433	10,998	18,368	299,586
Accumulated amortisation	(39,371)	(29,638)	(4,643)	(2,581)	(76,233)
Net carrying amount	34,416	166,795	6,355	15,787	223,353

17. Investment in a Joint Venture

	2022 RMB'000	2021 RMB'000
Share of net assets	**2,778**	1,614

Particulars are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of Ownership interest	Percentage of Voting power	Percentage of Profit sharing	Principal activities
Guangzhou Keyue Operation Management Co., Ltd.#	Registered capital of RMB1 each	PRC/Mainland China	49	49	49	Property management

The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

The following table illustrates the financial information of the Group's joint venture that is not individually material:

	2022 RMB'000	2021 RMB'000
Share of profit/(loss) of a joint venture for the year and total comprehensive income	**1,164**	(836)
Carrying amount of the Group's investment accounted for using the equity method at end of the year	**2,778**	1,614

18. Investment in an Associate

	2022 RMB'000	2021 RMB'000
Share of net assets	**7,438**	9,903

Particulars are as follows:

Name	Particulars of issued shares held	Place of registration and business	Percentage of ownership interest attributable to the Group	Principal activities
Guangzhou Guanzhou Property Management Co., Ltd.#	Registered capital of RMB1 each	PRC/Mainland China	49	Property management

The English name represents the best efforts made by the directors of the Company to translate the Chinese name as it does not have any official English name.

18. Investment in an Associate *(continued)*

The following table illustrates the financial information of the Group's associate that is not individually material:

	2022 RMB'000	2021 RMB'000
Share of profit of an associate for the year and total comprehensive income	**2,040**	1,949
Carrying amount of the Group's investment accounted for using the equity method at end of the year	**7,438**	9,903

19. Deferred Tax Assets and Liabilities

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

Deferred tax liabilities

	Note	2022 Fair value adjustment arising from acquisitions of subsidiaries RMB'000	Excess of carrying amount of right-of-use assets over the tax bases RMB'000	Remeasurement of financial liabilities RMB'000	Total RMB'000
At 1 January 2022		54,249	1,841	–	56,090
Acquisition of subsidiaries	31	147,431	1,838	27,623	176,892
Deferred tax (credited)/charged to profit or loss during the year		(29,430)	23	(10,333)	(39,740)
At 31 December 2022		172,250	3,702	17,290	193,242

Deferred tax assets

	Note	2022 Losses available for offsetting against future taxable profits RMB'000	Accrued liabilities and future deductible expenses RMB'000	Provision for impairment losses of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2022		3,223	8,325	7,283	1,883	20,714
Acquisition of subsidiaries	31	–	3,790	39,234	1,756	44,780
Deferred tax credited/(charged) to profit or loss during the year		2,935	(11,660)	105,319	59	96,653
At 31 December 2022		6,158	455	151,836	3,698	162,147

19. Deferred Tax Assets and Liabilities *(continued)*

Deferred tax liabilities

	Note	2021 Fair value adjustment arising from acquisitions of subsidiaries RMB'000	Excess of carrying amount of right-of-use assets over the tax bases RMB'000	Total RMB'000
At 1 January 2021		37,783	1,968	39,751
Acquisition of subsidiaries	31	24,221	—	24,221
Deferred tax credited to profit or loss during the year		(7,755)	(127)	(7,882)
At 31 December 2021		54,249	1,841	56,090

Deferred tax assets

	2021 Losses available for offsetting against future taxable profits RMB'000	Accrued liabilities and future deductible expenses RMB'000	Provision for impairment losses of financial assets RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	—	13,913	4,378	2,322	20,613
Deferred tax credited/(charged) to profit or loss during the year	3,223	(5,588)	2,905	(439)	101
At 31 December 2021	3,223	8,325	7,283	1,883	20,714

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 5%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

19. Deferred Tax Assets and Liabilities *(continued)*

At 31 December 2022 and 2021, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB1,946,763,000 and RMB1,161,139,000 as at 31 December 2022 and 2021, respectively.

Taking into account the Group's dividend policy and the working capital demand for business operation in Mainland China, the directors of the Company are of the view that it is the best interest of the Company to distribute its final dividend in the foreseeable future out of the share premium account of the Company, which is permissible by the Companies Act of the Cayman Islands and is also permissible by the Company's articles of association upon the approval of the Company's shareholders at the annual general meeting.

In the opinion of the directors of the Company, the Company has sufficient distributable reserves, including the Company's share premium to meet its dividend policy in the foreseeable future, and it is not probable that dividends would be declared by the Group's subsidiaries and joint ventures established in Mainland China in the foreseeable future. Accordingly, the Group did not provide additional deferred tax related to the unremitted earnings of the Group's subsidiaries and joint ventures established in Mainland China that are subject to withholding taxes once distributed.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 **RMB'000**	2021 RMB'000
Net deferred tax assets recognised in the consolidated statement of financial position	**141,243**	18,873
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(172,338)**	(54,249)
Net deferred tax liabilities	**(31,095)**	(35,376)

The Group has tax losses arising in Mainland China of approximately RMB33,783,000, that will expire in one to five years for offsetting against future taxable profits.

Among which, tax losses of approximately RMB9,151,000, have not been recognised as it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

20. Trade Receivables

	Note	2022 RMB'000	2021 RMB'000
Related parties	36(c)	**1,387,036**	540,336
Third parties		**1,255,874**	539,156
Trade receivables		**2,642,910**	1,079,492
Less: Allowance for impairment of trade receivables		**(590,461)**	(17,460)
		2,052,449	1,062,032

Trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. For trade receivables from property management services, the Group charges property management fees on a quarterly or monthly basis. For trade receivables from related parties, the Group's trading terms are mainly on credit and the credit period is generally between three months and one year. For trade receivables from third parties, the payment is generally due upon the issuance of demand letters. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. As the Group's trade receivables from third parties relate to a large number of diversified customers, there is no significant concentration of credit risk. Trade receivables are interest-free.

At 31 December 2022, trade receivables of RMB113,180,000 (2021: Nil) were pledged to secure general banking facilities granted to the Group (note 34).

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

	2022 RMB'000	2021 RMB'000
Within 1 year	**1,356,263**	1,028,083
1 to 2 years	**579,389**	20,612
2 to 3 years	**107,517**	12,249
Over 3 years	**9,280**	1,088
	2,052,449	1,062,032

20. Trade Receivables *(continued)*

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

	Note	2022 RMB'000	2021 RMB'000
At beginning of year		**17,460**	12,800
Acquisition of subsidiaries		**141,386**	—
Impairment losses recognised, net	6	**435,576**	10,689
Amount written off as uncollectible		**(3,961)**	(6,029)
At end of year		**590,461**	17,460

As at the end of the reporting period, all trade receivables were denominated in RMB.

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

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

	Third parties — past due				Related parties	Total
	Less than 1 year	1 to 2 years	2 to 3 years	Over 3 years		
As at 31 December 2022						
Expected credit loss rate	**5.73%**	**18.81%**	**32.68%**	**83.20%**	**28.89%**	**22.34%**
Gross carrying amount (RMB'000)	**796,602**	**244,328**	**159,709**	**55,235**	**1,387,036**	**2,642,910**
Expected credit losses (RMB'000)	**(45,624)**	**(45,967)**	**(52,192)**	**(45,955)**	**(400,723)**	**(590,461)**
As at 31 December 2021						
Expected credit loss rate	1.90%	7.02%	9.96%	64.39%	0.57%	1.62%
Gross carrying amount (RMB'000)	500,329	22,168	13,604	3,055	540,336	1,079,492
Expected credit losses (RMB'000)	(9,511)	(1,556)	(1,355)	(1,967)	(3,071)	(17,460)

21. Prepayments, Other Receivables and Other Assets and Prepayment for Acquisition of Subsidiaries

	Note	2022 RMB'000	2021 RMB'000
Current:			
Amounts due from related parties	36(c)	–	778
Prepayments		36,019	65,588
Deposits		88,286	28,083
Advances to employees		33,946	4,658
Other receivables		133,194	128,121
Payments on behalf of residents and tenants	(a)	47,982	32,004
Amounts due from original shareholders of subsidiaries		102,083	143,833
Others		40,967	5,716
		482,477	408,781
Impairment allowance		(17,634)	(11,672)
		464,843	397,109
Non-current:			
Prepayment for acquisition of subsidiaries	(b)	–	1,316,000

Notes:

(a) Payments on behalf of residents and tenants represent the current accounts with the residents and tenants of communities and properties managed by the Group.

(b) Prepayment for acquisition of subsidiaries is related to the acquisition agreement the Group entered into on 17 January 2021 to acquire 80% equity interests of Living Technology.

The movements in provision for impairment of payments on behalf of residents and tenants, other receivables and amounts due from original shareholders of subsidiaries are as follows:

	Note	2022 RMB'000	2021 RMB'000
At beginning of year		11,672	4,865
Acquisition of a subsidiary		15,548	—
Impairment losses (reversed)/recognised in profit or loss, net	6	(9,480)	6,838
Amount written off as uncollectible		(106)	(31)
At end of year		17,634	11,672

21. Prepayments, Other Receivables and Other Assets and Prepayment for Acquisition of Subsidiaries *(continued)*

Expected credit losses are estimated by applying a loss rate approach with reference to the days past due for groupings of parties with similar loss patterns. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECLs for payments on behalf of residents and tenants, other receivables and amounts due from original shareholders of subsidiaries which are assessed collectively based on an estimated average credit loss rate as at 31 December 2022 and 2021.

	31 December 2022			31 December 2021		
Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Credit-impaired	**13.6%**	**129,982**	**(17,634)**	15.4%	75,632	(11,672)

22. Cash and Cash Equivalents and Restricted Cash

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**1,866,913**	500,787
Time deposits	**—**	740,000
	1,866,913	1,240,787
Less: Restricted cash	**(19,412)**	(7,189)
Cash and cash equivalents	**1,847,501**	1,233,598

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to approximately RMB1,865,935,000 (2021: RMB1,232,336,000). The RMB is not freely convertible into other currencies. However, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

22. Cash and Cash Equivalents and Restricted Cash *(continued)*

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represented cash at banks restricted for social security and tendering purposes at 31 December 2022 and 2021.

23. Trade Payables

	Note	2022 RMB'000	2021 RMB'000
Related parties	36(c)	**6,665**	9,689
Third parties		**568,704**	236,141
		575,369	245,830

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

	2022 RMB'000	2021 RMB'000
Within 1 year	**507,502**	229,947
1 to 2 years	**56,755**	11,038
2 to 3 years	**7,277**	1,891
Over 3 years	**3,835**	2,954
	575,369	245,830

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

24. Other Payables and Accruals

	Notes	2022 RMB'000	2021 RMB'000
Amounts due to related parties	36(c)	**11,951**	4,155
Payroll and welfare payables		**283,011**	174,128
Deposits and temporary receipts from property owners		**346,724**	250,500
Other tax payables		**180,660**	84,909
Accruals and other payables		**144,506**	85,625
Consideration payable to original shareholders on acquisition of subsidiaries		**166,630**	50,000
Receipts on behalf of residents and tenants		**82,350**	72,458
Due to original shareholders of subsidiaries		**72,493**	135,808
		1,288,325	857,583

The other payables are unsecured and interest-free.

25. Interest-bearing Bank and Other Borrowings

	2022			2021		
	Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current						
Bank loans — secured	**4.2-5.2**	**2023**	**38,520**	—	—	—
Other borrowings — secured	**5.3-7.6**	**2023**	**794**	—	—	—
Current portion of long term bank and other borrowings — secured	**4.2-6.0**	**2023**	**134,930**	—	—	—
			174,244			—
Non-current						
Bank loans — secured	**4.2-5.3**	**2026**	**376,958**	—	—	—
Other borrowings — secured	**6.0**	**2024**	**348**	—	—	—
			377,306			—
			551,550			—

25. Interest-bearing Bank and Other Borrowings *(continued)*

	2022 RMB'000	2021 RMB'000
Analysed into:		
Bank loans:		
Within one year	169,404	—
In the second year	126,918	—
In the third to fifth years, inclusive	250,040	—
	546,362	—
Other borrowings:		
Within one year	4,840	—
In the second year	348	—
	5,188	—
	551,550	—

Notes:

(a) Certain of the Group's bank loans and unutilised facilitates are secured by certain of the Group's revenue of certain service contracts amounting to approximately RMB451,316,000 and equity interests of a subsidiary of the Group (2021: Nil).

(b) Certain of the Group's bank loan is guaranteed by a related company (2021:Nil).

(c) Certain of the Group's other borrowings are secured by the Group's property, plant and equipment amounting to approximately RMB19,861,000 (2021: Nil).

(d) All the bank and other borrowings are denominated in RMB.

26. Financial Liabilities at Fair Value through Profit or Loss

	2022 RMB'000	2021 RMB'000
Financial liabilities at fair value through profit or loss	**211,809**	—

Pursuant to the agreement for the acquisition of Living Technology, the Group will acquire the remaining 20% equity of Living Technology based on the financial performance of Living Technology for the years ended 31 December 2020, 2021 and 2022. See note 31 to the financial statements for more details.

The valuation of financial liabilities at fair value through profit or loss was determined using the discounted cash flow method under the income approach. The movement of the financial liabilities at fair value through profit or loss is set out below:

	2022 RMB'000
At 1 January 2022	**–**
Financial liabilities at initial recognition granted during the acquisition of the subsidiaries	**201,086**
Changes in fair value of the financial liabilities	**10,723**
At 31 December 2022	**211,809**

27. Share Capital

	2022 HK$'000	2021 HK$'000
Authorised:		
10,000,000,000 (2021: 10,000,000,000) ordinary shares at par value of HK$0.01 each	**100,000**	100,000

27. Share Capital *(continued)*

	2022 HK$'000	2021 HK$'000	**2022 Equivalent to RMB'000**	2021 Equivalent to RMB'000
Issued and fully paid: 2,025,858,916 (2021: 2,017,110,233) ordinary shares at par value of HK$0.01 each	**20,259**	20,171	**17,568**	17,493

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

	Number of shares in issue	**Share capital HK$'000**	**Share capital equivalent to RMB'000**
At 31 December 2020 and 1 January 2021	2,017,810,233	20,178	17,499
Repurchase and cancellation of shares (note (a))	(700,000)	(7)	(6)
At 31 December 2021	2,017,110,233	20,171	17,493
At 31 December 2021 and 1 January 2022	**2,017,110,233**	**20,171**	**17,493**
Shares issued as scrip dividend during the year	**8,748,683**	**88**	**75**
At 31 December 2022	**2,025,858,916**	**20,259**	**17,568**

Note:

(a) On 17 September 2021 and 20 September 2021, the Company repurchased 700,000 of its shares on the Stock Exchange at a total consideration of approximately HK$3,580,000 (equivalent to RMB2,975,000). The repurchased shares have been cancelled on 16 November 2021.

28. Employees Share Schemes

(a) Share Option Scheme

Pursuant to the shareholder's resolutions of the Company passed on 3 June 2021, the Company has adopted a share option scheme (the "**Share Option Scheme**") for the purpose of providing incentives and rewards to SO Eligible Participants (as defined hereinbelow) who will contribute and has contributed to the success of the Group's operations. SO Eligible Participants include any full-time or part-time employees, executives or officers of the Company or any of its subsidiaries and any directors (including executive directors, non-executive directors and independent non-executive directors) of the Company or any of its subsidiaries. Upon becoming effective, the Share Option Scheme will remain in force for 10 years from that date.

The maximum number of shares that may be issued upon the exercise of the options that may be granted under the Share Option Scheme is 10% of the total number of issued shares as at the date of the adoption of the Share Option Scheme. The aggregate number of shares which may be issued upon the exercise of all options that may be granted under the Share Option Scheme has not exceeded 30% of the shares in issue as at the latest practicable date. The maximum number of shares issuable under share options to each SO Eligible Participant in the Share Option Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to the issue of a circular by the Company and the shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors. In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at any time and with an aggregate value (based on the price of the Company's shares at the date of grant) in excess of HK$5,000,000 or such other sum as may be from time to time provided under the Listing Rules, within any 12-month period, are subject to the issue of a circular by the Company and the shareholders' approval in advance in a general meeting.

An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the board of directors of the Company in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted.

The exercise price of share options is determinable by the directors, but may not be less than the highest of (i) the Stock Exchange of Hong Kong Limited closing price of the Company's shares on the date of offer of the share options; (ii) the average Stock Exchange of Hong Kong Limited closing price of the Company's shares for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

On 23 July 2021, the Company granted 594,000 share options, to the grantees, including the board of directors of the Company and certain employees of the Group.

28. Employees Share Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The exercise price of the outstanding share options granted on 23 July 2021 was HK$8.964 per share.

The closing price of the Company's shares on 23 July 2021, the date of grant, was HK$8.240 per share.

The share options granted to the executive directors of the Company and employees of the Group are exercisable during the following periods:

Share options granted on 23 July 2021

The following share options were outstanding under the Scheme during the year:

(i) up to 25% of the share options granted to each grantee at any time from 15 April 2022;

(ii) up to 50% of the share options granted to each grantee at any time from 15 April 2023;

(iii) up to 100% of the share options granted to each grantee at any time from 15 April 2024; and, in each case, not later than 14 April 2026.

	2022		2021	
	Weighted average exercise price HK$ per share	**Number of options '000**	Weighted average exercise price HK$ per share	Number of options '000
At 1 January	**8.964**	**594,000**	—	—
Granted during the year	**—**	**—**	8.964	594,000
Lapsed during the year	**8.964**	**(162,000)**	—	—
Exercised during the year	**—**	**—**	—	—
Expired during the year	**—**	**—**	—	—
At 31 December	**8.964**	**432,000**	8.964	594,000

The following inputs were used to calculate the fair values of the share options granted:

	Options granted on 23 July 2021
Dividend yield (%)	1.16
Expected volatility (%)	60.22
Risk-free interest rate (%)	0.35
Expected life of options (year)	4
Weighted average share price (HK$ per share)	8.964

HK$1.00 is payable for acceptance of grant of share options by each grantee. The fair value of the share options granted on 23 July 2021 determined at the date of grant using the Binomial models (the "**Models**") was approximately RMB1,968,000.

28. Employees Share Schemes *(continued)*

(a) Share Option Scheme *(continued)*

The Models have been used to estimate the fair value of the share options. The variables and assumptions used in computing the fair value of the share options are based on the directors' best estimate. Changes in variables and assumptions may result in changes in the fair value of the share options.

At each reporting date, the Group revises its estimates of the number of share options that are expected to ultimately vest. The impact of the revision of the estimates, if any, is recognised in profit or loss, with a corresponding adjustment to the equity-settled share option reserve.

At 31 December 2022, the number of shares in respect of which options had been granted and remained outstanding under the Share Option Scheme was 432,000 (2021: 594,000), representing 0.0213% (2021: 0.0294%) of the shares of the Company in issue at that date. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 432,000 (2021: 594,000) additional ordinary shares of the Company and additional share capital of HK$4,320 (2021: HK$5,940) (before issue expenses).

The Group recognised the total expense of approximately RMB456,000 for the year ended 31 December 2022 (2021: approximately RMB485,000) in relation to share options granted by the Company with corresponding increase in share option reserve.

The number of share options granted that are expected to be vested has been reduced to reflect the management's best estimate of lapse of options granted prior to the completion of the vesting period and accordingly the share option expense has been adjusted. At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest.

(b) Share Award Scheme

The share award scheme was adopted by the Board on 23 July 2021 (the "**Share Award Scheme**") in order to recognise the contributions by certain employees including certain executive directors of the Company and/or members of the Group (the "**SA Eligible Participant**"). Subject to the rules of the Share Award Scheme (the "**Scheme Rules**"), the Board may, from time to time, at its absolute discretion select any SA Eligible Participant (other than any excluded participant as defined under the Scheme Rules) for participation in the Share Award Scheme as a selected participant (the "**Selected Participant**"), and determine the number of shares to be granted to the Selected Participant.

The Share Award Scheme shall be valid and effective for a term of 10 years commencing on the date of adoption. Pursuant to the Share Award Scheme, the trustee, Computershare Hong Kong Trustees Limited and any additional or replacement trustee, shall purchase from the open market or subscribe for the relevant number of shares awarded and shall hold such shares on trust for the Selected Participants until they are vested in the relevant Selected Participant in accordance with the provisions of the Share Award Scheme. The Board, through its authorised representative(s), shall cause to pay to the trustee the subscription or purchase price for the shares and the related expenses from the Company's resources.

The Board shall not make any further award of awarded shares which will result in the total number of shares granted under the Share Award Scheme exceeding 5% of the total number of issued Shares of the Company from the date of adoption. If the relevant subscription or purchase would result in the trustee holding in aggregate, more than 5% of the total number of issued shares of the Company as of the adoption date, the trustee shall not subscribe or purchase any further shares.

28. Employees Share Schemes *(continued)*

(b) Share Award Scheme *(continued)*

On 23 July 2021, the Board resolved to grant a total of 1,444,000 awarded shares to 16 eligible participants under the Share Award Scheme. The awarded shares shall be vested in three tranches in accordance with the following dates: (i) 25% shall be vested on 15 April 2022; (ii) 25% shall be vested on 15 April 2023; and (iii) the remaining 50% shall be vested on 15 April 2024, or an earlier date as approved by the Board.

The fair value of the Share Award Scheme at the grant date approximated to the market value of the shares which is calculated based on the closing price of the shares as at the date of grant of the awarded shares.

Movements in the number of awarded shares are as follows:

	2022 Number of shares awarded	2021 Number of shares awarded
At 1 January	**1,444,000**	—
Granted	**—**	1,444,000
Lapsed	**(506,500)**	—
Vested	**(295,500)**	—
At 31 December	**642,000**	1,444,000

Under the Share Award Scheme, the Group recognised share-based compensation expenses of approximately RMB2,323,000 (2021: approximately RMB2,929,000) during the year ended 31 December 2022.

(c) Share-based awards of a subsidiary

A subsidiary of the Company which was acquired during the year has an equity incentive plan granting share-based awards by its non-controlling shareholder that contain 2.3 year service vesting condition (the "**Award**"). The portion relating to the acquisition date fair value based measure of the Award that was attributable to precombination service was recognized as non-controlling interest and the portion relating to any remaining postcombination service was recognized as share-based compensation expenses in the Group's consolidated financial statements. The Group did not grant any share-based awards under the Award after its acquisition of the subsidiary.

The Group recognised the total expense of approximately RMB3,776,000 for the year ended 31 December 2022 (2021: Nil) in relation to the share-based awards of the subsidiary.

As at December 31, 2022, there were no unrecognized share-based compensation expenses related to these share-based awards.

The acquisition date fair value of the Award is estimated on the date of acquisition using the recent investment price model with the following assumptions:

DLOM (%)	20

29. Reserves

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity.

(a) Merger reserve

The merger reserve of the Group comprised the combined issued capital of the subsidiaries now comprising the Group arising from the reorganisation as mentioned in the prospectus of the Company dated 19 October 2020.

(b) Capital reserve

In March 2020, as part of the Reorganisation, Guangdong Hejing Youhuo, a wholly-owned subsidiary of the Company, acquired 100% equity interests in Ningjun Property and its subsidiaries with a capital injection of RMB63,000,000 to Ningjun Property and a cash consideration of RMB34,550,000 to Total Super, a wholly-owned subsidiary of KWG Holdings. As both parties were under control of KWG Holdings before and after the combination and such control was not provisional, this combination was a business combination involving entities under common control. The difference of RMB27,550,000 between (i) the cash consideration of RMB34,550,000 and (ii) the outstanding merger reserve of RMB7,000,000 was debited to the capital reserve.

On 24 June 2020, KWG Holdings, the then sole shareholder of Happy Harmony, which in turn holds one ordinary share of the Company, approved the transfer of the entire issued share capital of Happy Harmony (the "**Transferred Share**") to the Employee, at a consideration of US$6,075,000. The consideration was fully settled on 24 June 2020 and has been funded by an interest-free loan from Mr. KONG Jianmin (the "**Loan**"), one of the Company's controlling shareholders. Upon completion of the aforesaid share transfer and immediately after the subscription of 35 shares of the Company by KWG Holdings at par on 24 June 2020, KWG Holdings and the Employee through Happy Harmony held 97.22% and 2.78% equity interests in the Company, respectively. The share transferred to the Employee constitutes a share-based payment arrangement under HKFRS 2 *Shared-based Payment* and the share-based payment expense which represents the difference of RMB320,000 between (i) the fair value of the Transferred Share and (ii) the consideration of US$6,075,000 was charged to profit or loss as an expense in full immediately upon the completion of the share transfer with a corresponding increase in capital reserve of approximately RMB320,000 during the year ended 31 December 2021. The deemed interest expense of the Loan to the Employee, calculated based on the outstanding Loan principal and a general market interest rate that the Employee could possibly obtain from financial institutions in Hong Kong on an arm's length basis as of the date of the Loan agreement entered into between Mr. KONG Jianmin and the Employee, was charged to profit or loss with a corresponding increase in capital reserve of approximately RMB1,189,000 during the year ended 31 December 2022 (2021: approximately RMB1,189,000) to reflect the contribution to the Company from Mr. KONG Jianmin, one of the Company's controlling shareholders.

(c) Employee share-based compensation reserve

The expenses charged to profit or loss under the Share Option Scheme and the Share Award Scheme with a corresponding increase in reserve of approximately RMB456,000 (2021: approximately RMB485,000) and RMB2,323,000 (2021: approximately RMB2,929,000) respectively during the year ended 31 December 2022. Details of the employee share schemes are disclosed in note 28 to the financial statements.

29. Reserves *(continued)*

(d) Statutory surplus funds

In accordance with the PRC Company Law and the articles of association of the subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

30. Partly-owned Subsidiaries with Material Non-controlling Interests

Details of the Group's subsidiary that has material non-controlling interests is set out below:

	2022	2021
Percentage of equity interest held by non-controlling interests:		
Living Technology	**20%**	—

	2022 **RMB'000**	2021 RMB'000
Profit for the year allocated to non-controlling interests:		
Living Technology	**24,739**	—
Dividends paid to non-controlling interests:		
Living Technology	**4,732**	—
Accumulated balances of non-controlling interests at the reporting date:		
Living Technology	**174,172**	—

30. Partly-owned Subsidiaries with Material Non-controlling Interests *(continued)*

The following tables illustrate the summarised financial information of Living Technology. The amounts disclosed are before any inter-company eliminations:

For the period from the acquisition date to 31 December 2022	Living Technology RMB'000
Revenue	**953,861**
Total expenses	**(830,168)**
Profit for the year	**123,693**
Total comprehensive income for the year	**123,693**

As at 31 December 2022	Living Technology RMB'000
Current assets	**1,194,876**
Non-current assets	**667,441**
Current liabilities	**(872,768)**
Non-current liabilities	**(27,939)**

For the period from the acquisition date to 31 December 2022	Living Technology RMB'000
Net cash flows from operating activities	**123,723**
Net cash flows used in investing activities	**(104,149)**
Net cash flows used in financing activities	**(6,012)**
Net increase in cash and cash equivalents	**13,562**

The Group did not have any material non-controlling interests as at 31 December 2021.

31. Business Combinations

Acquisition of Living Technology

In March 2022, the Group completed the acquisition of 80% equity interests in Living Technology (formerly known as Cedar Technology Group Co., Ltd.), and its holding company, from third parties at a consideration of RMB1,316,000,000. Living Technology is engaged in the property management business. The acquisition was made as part of the Group's strategy to expand its property management operation in the PRC.

The fair values of the identifiable assets and liabilities of Living Technology as at the date of completion were as follows:

	Notes	Fair value recognised on completion RMB'000
Property, plant and equipment	13	9,746
Investment properties		6,300
Right-of-use assets	14	7,353
Other intangible assets	16	503,962
Deferred tax assets	19	44,780
Trade receivables		508,852
Prepayments and other receivables		1,012,403
Restricted cash		2,130
Cash and bank balances		177,685
Trade payables		(432,801)
Other payables and accruals		(292,436)
Contract liabilities		(130,956)
Interest-bearing bank loans		(623,100)
Lease liabilities	14	(7,026)
Tax payables		(71,743)
Deferred tax liabilities	19	(154,677)
Financial liabilities at fair value through profit or loss		(3,985)
Total identifiable net assets at fair value		556,487
Non-controlling interests		(148,193)
		408,294
Goodwill on acquisition		907,706
		1,316,000
Satisfied by cash during the year ended 2021		1,316,000
Total consideration		1,316,000

31. Business Combinations *(continued)*

Acquisition of Living Technology *(continued)*

The fair values of trade receivable and other receivables as at the date of acquisition amounted to approximately RMB508,852,000 and RMB935,257,000, respectively. The gross contractual amount of trade receivable and other receivables was approximately RMB650,238,000 and RMB950,805,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of operation with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

An analysis of the cash flows in respect of the completion of acquisition of Living Technology is as follows:

	RMB'000
Cash and bank balances	177,685
Net inflow of cash of cash equivalents included in cash flow from investing activities	177,685

Since the acquisition, Living Technology contributed approximately RMB953,861,000 to the Group's revenue and approximately RMB123,693,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been approximately RMB4,066,428,000 and approximately RMB60,439,000, respectively.

Acquisition of Guangdong Telijie

As at 31 December 2021, the Group held 5% equity interests in Guangdong Telijie with a consideration of RMB16,500,000. In January 2022, the Group acquired 50% equity interests in Guangdong Telijie at a consideration of RMB165,000,000. The Group holds 55% equity interests in total upon completion of such acquisition. Guangdong Telijie is engaged in urban and rural environmental sanitation service. The acquisition was made as part of the Group's strategy to expand its operation in the PRC.

31. Business Combinations *(continued)*

Acquisition of Guangdong Telijie *(continued)*

The fair values of the identifiable assets and liabilities of Guangdong Telijie as at the date of acquisition were as follows:

	Notes	Fair value recognised on acquisition RMB'000
Property, plant and equipment	13	70,476
Other intangible assets	16	88,861
Trade receivables		102,701
Prepayments and other receivables		99,446
Restricted Cash		792
Cash and bank balances		20,446
Trade payables		(82,056)
Other payables and accruals		(141,099)
Contract liabilities		(5,988)
Interest-bearing bank and other borrowings		(47,153)
Tax payables		(900)
Deferred tax liabilities	19	(22,215)
Total identifiable net assets at fair value		83,311
Non-controlling interests		(37,489)
		45,822
Goodwill on acquisition		135,678
		181,500
Satisfied by cash during the year ended 2021		16,500
Satisfied by cash during the year		48,870
Unpaid amount included in other payables and accruals		116,130
Total consideration		181,500

The fair values of trade receivables and other receivables as at the date of acquisition amounted to approximately RMB102,701,000 and RMB92,586,000, respectively. The gross contractual amount of trade receivables and other receivables was approximately RMB102,701,000 and RMB92,586,000, respectively. The transaction cost incurred for this acquisition is insignificant.

The goodwill recognised is primarily attributed to the expected synergies and other benefits from combining the assets and activities of operation with those of the Group. None of the goodwill recognised is expected to be deductible for income tax purposes.

31. Business Combinations *(continued)*

Acquisition of Guangdong Telijie *(continued)*

An analysis of the cash flows in respect of the acquisition of Guangdong Telijie is as follows:

	RMB'000
Cash and bank balances	**20,446**
Cash consideration paid	**(48,870)**
Net outflow of cash and cash equivalents included in cash flows from investing activities	**(28,424)**

Since the acquisition, Guangdong Telijie contributed approximately RMB208,843,000 to the Group's revenue and approximately RMB32,440,000 to the consolidated profit for year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue and the profit of the Group for the year would have been approximately RMB4,039,081,000 and approximately RMB61,582,000, respectively.

Acquisition of Shanghai Shenqin

On 31 July 2021, the Group acquired a 80% interest in Shanghai Shenqin from third parties. Shanghai Shenqin is engaged in the property management business. The above acquisitions were made as part of the Group's strategy to expand its property management operation in Mainland China. The purchase consideration for the acquisition was in the form of cash, with RMB448,200,000 paid before 31 December 2022.

The fair values of the identifiable assets and liabilities of Shanghai Shenqin as at the date of acquisition were as follows:

	Notes	Total RMB'000
Property, plant and equipment	13	100
Other intangible assets	16	96,884
Prepayments and other receivables		177,867
Cash and bank balances		2,574
Restricted cash		739
Trade payables		(7,756)
Other payables and accruals		(160,316)
Deferred tax liabilities	19	(24,221)
Contract liabilities		(3,520)
Tax payable		(8,434)
Total identifiable net assets at fair value		73,917
Non-controlling interests		(15,484)
		58,433
Goodwill arising on acquisition		439,567
		498,000
Satisfied by cash		448,200
Unpaid amount included in other payables to original shareholders		49,800
Total consideration		498,000

32. Notes to the Consolidated Statement of Cash Flows

(a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of approximately RMB8,715,000 (2021: approximately RMB8,181,000) and approximately RMB8,667,000 (2021: approximately RMB7,996,000), respectively, in respect of lease arrangements for buildings and motor vehicles.

(b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

	Lease liabilities RMB'000	Interest-bearing borrowings RMB'000	Total RMB'000
At 1 January 2022	**7,530**	**—**	**7,530**
Changes from financing cash flows	**(8,431)**	**(118,067)**	**(126,498)**
Interest expense	**408**	**—**	**408**
Interest paid classified as operating cash flows	**(408)**	**—**	**(408)**
Increase arising from the acquisitions of subsidiaries	**7,026**	**669,617**	**676,643**
Other non-cash movements	**8,667**	**—**	**8,667**
At 31 December 2022	**14,792**	**551,550**	**566,342**

	Other payables RMB'000	Lease liabilities RMB'000	Total RMB'000
At 1 January 2021	—	6,729	6,729
Changes from financing cash flows	985,324	(7,195)	978,129
Interest expense	—	261	261
Interest paid classified as operating cash flows	—	(261)	(261)
Other non-cash movements	(985,324)	7,996	(977,328)
At 31 December 2021	—	7,530	7,530

32. Notes to the Consolidated Statement of Cash Flows *(continued)*

(c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

	2022 RMB'000	2021 RMB'000
Within operating activities	**11,204**	16,348
Within financing activities	**8,431**	7,195
	19,635	23,543

33. Financial Guarantee

Certain revenue and income of the Group generated and to be generated from provision of property management services to the owners or tenants of certain properties, was used to guarantee certain bank loans of an entity (the "**Entity**") controlled by the ultimate holding company of the Company during the period of the financial guarantee contract. During the year ended 31 December 2022, such revenue and income of the Group was approximately RMB23,177,000 (2021: Nil). The Group assessed that the fair value at initial recognition of the financial guarantee and the ECL allowance during the year were not significant.

34. Pledge of Assets

At 31 December 2022, the Group's assets pledged to certain banks to secure the general banking and other borrowing facilities granted to the Group are included in notes 13, 20 and 25, respectively, to the financial statements.

Details of the guarantee given by the Group to a bank in connection with bank loans granted to an entity controlled by the ultimate holding company of the Company is included in note 33 to the financial statements.

35. Commitments

At the end of the reporting period, the Group did not have any significant commitments.

36. Related Party Transactions

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2022 RMB'000	2021 RMB'000
Residential property management service income:		
Subsidiaries, joint ventures and associates of KWG Holdings*	**545,785**	908,424
Non-residential property management and commercial service income:		
Subsidiaries and joint ventures of KWG Holdings	**312,077**	290,539
Other related parties**	**2,448**	2,037
	314,525	292,576
Rental cost and expenses:		
Subsidiaries of KWG Holdings	**8,047**	8,579
Information technology expenses:		
KWG Holdings	**2,000**	2,000

* KWG Holdings is ultimately controlled by Plus Earn.

** Other related parties are entities that are controlled by Mr. KONG Jiantao, an executive director of KWG Holdings.

During the year, the Group provided property agency services to KWG Holdings and its subsidiaries and associates. According to the terms of agreement among parties, the Group paid deposits to the subsidiaries and associates of KWG Holdings regarding the property agency services with the maximum daily outstanding deposits balance of RMB610,000,000. As at 31 December 2022, the aforementioned deposits were fully settled and refunded to the Group.

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contracting parties.

(b) Other transactions with related parties

Details of the guarantee given by the Group to a bank in connection with bank loans granted to an entity controlled by the ultimate holding company of the Company are included in note 33 to the financial statements.

Details of the guarantee given by an entity controlled by the ultimate holding company of the Company in connection with a bank loan granted to the Group are included in note 25 to the financial statements.

36. Related Party Transactions *(continued)*

(c) Outstanding balances with related parties

	2022 RMB'000	2021 RMB'000
Prepayments and receivables from related parties		
Trade receivables		
Subsidiaries, joint ventures and associates of KWG Holdings	1,387,036	540,336
Prepayments and other receivables		
Subsidiaries and joint ventures of KWG Holdings	–	778
Payables to related parties		
Trade payables		
Subsidiaries and joint ventures of KWG Holdings	6,665	9,689
Other payables		
Subsidiaries and joint ventures of KWG Holdings	11,951	4,155
Lease liabilities		
Subsidiaries of KWG Holdings	1,038	4,290
Contract liabilities		
Subsidiaries and joint ventures of KWG Holdings	2,832	1,792

The Group's outstanding balances of trade receivables, trade payables, lease liabilities and contract liabilities with related parties are trade in nature; and the outstanding balances of other receivables and other payables with related parties are non-trade in nature.

36. Related Party Transactions *(continued)*

(d) Compensation of key management personnel of the Group

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**8,241**	7,014
Share-based payment expenses	**1,073**	1,191
Pension scheme contributions	**219**	192
	9,533	8,397

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

37. Financial Instruments by Category

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Financial assets		
Financial assets at amortised cost		
Trade receivables	**2,052,449**	1,062,032
Financial assets included in prepayments, other receivables and other assets	**360,288**	321,147
Restricted cash	**19,412**	7,189
Cash and cash equivalents	**1,847,501**	1,233,598
	4,279,650	2,623,966
Financial assets at fair value through profit and loss designated as such upon initial recognition		
Other financial asset	**–**	16,500
	4,279,650	2,640,466

37. Financial Instruments by Category *(continued)*

	2022 RMB'000	2021 RMB'000
Financial liabilities		
Financial liabilities at amortised cost		
Trade payables	**575,369**	245,830
Lease liabilities	**14,792**	7,530
Financial liabilities included in other payables and accruals	**824,654**	598,546
Dividend payable	**109,000**	5,560
Interest-bearing bank and other borrowings	**551,550**	—
	2,075,365	857,466
Financial liabilities at fair value through profit or loss		
Financial liabilities at fair value through profit or loss	**211,809**	—
	2,287,174	857,466

38. Fair Value and Fair Value Hierarchy of Financial Instruments

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

	Carrying amounts		Fair values	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Financial asset				
Other financial asset	**–**	16,500	**–**	16,500
	–	16,500	**–**	16,500
Financial liabilities				
Interest-bearing bank and other borrowings	**551,550**	—	**552,685**	—
Financial liabilities at fair value through profit or loss	**211,809**	—	**211,809**	—
	763,359	—	**764,494**	—

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, and financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short term maturities of these instruments.

38. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

The Group's finance department is responsible for determining the policies and procedures for the fair value measurement of financial instruments.

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

The fair values of the non-current portion of interest-bearing bank and other borrowings have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value as a result of the Group's own non-performance risk for interest-bearing bank and other borrowings as at 31 December 2022 were assessed to be insignificant.

The fair value of lease liabilities has been calculated by discounting the expected future cash flows using rates currently available with similar terms, credit risk and remaining maturities.

The fair value of unlisted equity investment designated at fair value through profit or loss included in other financial asset, has been estimated using a market-based valuation technique based on assumptions that are not supported by observable market prices or rates. The valuation requires the directors to determine comparable public companies (peers) based on industry, size, leverage and strategy, and to calculate an appropriate price multiple, such as price to earnings ("**P/E**") multiple, for each comparable company identified. The multiple is calculated by dividing the share price of the comparable company by an earnings measure. The trading multiple is then discounted for considerations such as illiquidity and size differences between the comparable companies based on company-specific facts and circumstances. The discounted multiple is applied to the corresponding earnings measure of the unlisted equity investments to measure the fair value. The directors believe that the estimated fair values resulting from the valuation technique, which are recorded in the consolidated statement of financial position, and the related changes in fair values, which are recorded in profit or loss, are reasonable, and that they were the most appropriate values at the end of the reporting period.

The valuation of the Group's financial liabilities at fair value through profit or loss was determined using the discounted cash flow method under the income approach. The significant unobservable input is the expected discount rate as at the valuation date, which was determined using the capital asset pricing model. The fair value of the financial liabilities at fair value through profit or loss is categorised within level 3 of the fair value hierarchy.

38. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Below is a summary of significant unobservable inputs to the valuation of financial instruments together with a quantitative sensitivity analysis as at 31 December 2022 and 2021:

As at 31 December 2022

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Financial liabilities at fair value through profit or loss	Discounted cash flow	Expected discount rate	4.38%	1% increase/decrease in rate would result in decrease/increase in fair value by RMB2,010,000/RMB2,049,000

As at 31 December 2021

	Valuation technique	Significant unobservable input	Range	Sensitivity of fair value to the input
Unlisted equity investment	Valuation multiples	Average P/E multiple of peers	14	5% increase/decrease in multiple would result in increase/decrease in fair value by RMB836,000/RMB834,000
		DLOM*	20.6%	5% increase/decrease in discount would result in decrease/increase in fair value by RMB214,000/RMB216,000

* The DLOM represents the amounts of premiums and discounts determined by the Group that market participants would take into account when pricing the investments.

Fair value hierarchy

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

Asset measured at fair value:

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Other financial asset	—	—	16,500	16,500

The Group did not hold any financial assets measured at fair value as at 31 December 2022.

38. Fair Value and Fair Value Hierarchy of Financial Instruments *(continued)*

Fair value hierarchy *(Continued)*

Asset measured at fair value: (Continued)

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

	2022 RMB'000	2021 RMB'000
At 1 January	16,500	—
Purchase	—	16,500
Disposal	(16,500)	—
Total gains recognised in the statement of profit or loss	—	—
At 31 December	—	16,500

Liabilities measured at fair value:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Financial liabilities at fair value through profit or loss	—	—	211,809	211,809

The Group did not have any financial liabilities measured at fair value as at 31 December 2021.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

Assets for which fair values are disclosed:

The carrying amounts of the Group's financial assets were either measured at fair value in the statements of financial position or approximate to fair values as at 31 December 2022 and 2021.

Liabilities for which fair values are disclosed:

As at 31 December 2022

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000	Significant observable inputs (Level 2) RMB'000	Significant unobservable inputs (Level 3) RMB'000	Total RMB'000
Interest-bearing bank and other borrowings	—	552,685	—	552,685

The Group did not have any financial liabilities disclosed at fair value as at 31 December 2021.

39. Financial Risk Management Objectives and Policies

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

The main risks arising from the Group's financial instruments are foreign currency risk, credit risk, liquidity risk and interest rate risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with a material impact, on the Group's financial performance. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Foreign currency risk

The Group's most businesses are mainly located in Mainland China and the transactions are mainly conducted in RMB. Most of the Group's assets and liabilities are denominated in RMB. The Group's foreign currency exposures mainly arise from cash, bank deposits, other receivables, and other payables denominated in currencies other than the unit's functional currencies as at 31 December 2022 and 31 December 2021.

The following table demonstrates the sensitivity to a reasonably possible change in the exchange rates of HK$, with all other variables held constant, of the Group's profit before tax.

	Change in foreign currency rate	Increase/ (decrease) in profit before tax RMB'000	Increase/ (decrease) in equity* RMB'000
2022			
If RMB weakens against HK$	**5%**	**(7)**	**45,877**
If RMB strengthens against HK$	**5%**	**7**	**(45,877)**
2021			
If RMB weakens against HK$	5%	(7)	50,995
If RMB strengthens against HK$	5%	7	(50,995)

* Excluding retained profits.

(b) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and restricted cash.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at state-owned banks and other medium or large-sized listed banks in Mainland China. Management does not expect that there will be any significant losses from non-performance by these banks.

39. Financial Risk Management Objectives and Policies *(continued)*

(b) Credit risk *(continued)*

There are no significant concentrations of credit risk for trade receivables and other receivables from third parties as the customer bases of the Group's trade receivables and other receivables from third parties are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year/period-end staging classification as at 31 December. The amounts presented from third parties are gross carrying amounts for financial assets.

31 December 2022

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	–	–	–	2,642,910	2,642,910
Financial assets included in prepayments, other receivables and other assets					
— Normal**	247,940	–	–	–	247,940
— Doubtful**	–	129,982	–	–	129,982
Restricted cash					
— Not yet past due	19,412	–	–	–	19,412
Cash and cash equivalents					
— Not yet past due	1,847,501	–	–	–	1,847,501
A guarantee given to a bank in connection with bank loans granted to an entity controlled by the ultimate holding company of the Company					
— Bank loans drawn and not yet past due	23,177	–	–	–	23,177
	2,138,030	129,982	–	2,642,910	4,910,922

39. Financial Risk Management Objectives and Policies *(continued)*

(b) Credit risk *(continued)*

Maximum exposure and year-end staging *(continued)*
31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000	Stage 2 RMB'000	Stage 3 RMB'000	Simplified approach RMB'000	Total RMB'000
Trade receivables*	—	—	—	1,079,492	1,079,492
Financial assets included in prepayments, other receivables and other assets					
— Normal**	300,815	—	—	—	300,815
— Doubtful**	—	32,004	—	—	32,004
Restricted cash					
— Not yet past due	7,189	—	—	—	7,189
Cash and cash equivalents					
— Not yet past due	1,233,598	—	—	—	1,233,598
	1,541,602	32,004	—	1,079,492	2,653,098

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

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

39. Financial Risk Management Objectives and Policies *(continued)*

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligation due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure.

The table below analyses the maturity profile of the Group's financial liabilities as at the end of the reporting period, which is based on contractual undiscounted payments.

As at 31 December 2022

	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	**149,651**	**425,718**	**—**	**—**	**—**	**575,369**
Lease liabilities	**—**	**8,912**	**3,469**	**1,764**	**1,475**	**15,620**
Interest-bearing bank and other borrowings	**17,442**	**176,635**	**140,637**	**261,198**	**—**	**595,912**
Financial liabilities at fair value through profit or loss	**—**	**211,809**	**—**	**—**	**—**	**211,809**
Financial liabilities included in other payables and accruals	**238,807**	**513,354**	**72,493**	**—**	**—**	**824,654**
Dividend payable	**109,000**	**—**	**—**	**—**	**—**	**109,000**
A guarantee given to a bank in connection with bank loans granted to an entity controlled by the ultimate holding company of the Company	**23,177**	**—**	**—**	**—**	**—**	**23,177**
	538,077	**1,336,428**	**216,599**	**262,962**	**1,475**	**2,355,541**

As at 31 December 2021

	On demand RMB'000	Less than 1 year RMB'000	1 to 2 years RMB'000	2 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Trade payables	93,570	152,260	—	—	—	245,830
Lease liabilities	—	6,274	288	557	840	7,959
Financial liabilities included in other payables and accruals	162,238	300,500	135,808	—	—	598,546
Dividend payable	5,560	—	—	—	—	5,560
	261,368	459,034	136,096	557	840	857,895

39. Financial Risk Management Objectives and Policies *(continued)*

(d) Interest rate risk

The Group has no significant interest-bearing assets. The Group's exposure to changes in market interest rates relates primarily to the Group's bank loans with floating interest rates. The Group has not used any interest rate swaps to hedge its cash flow interest rate risk.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings).

	Increase/ (decrease) in basis points	Increase/ (decrease) in profit before tax RMB'000
2022		
RMB	**200**	**(450)**
RMB	**(200)**	**450**

The Group is not exposed to material interest rate risk during 2021.

(e) Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a liabilities to assets ratio, which is total liabilities divided by total assets. The current ratios and liabilities to assets ratios at the end of the reporting periods are as follows:

	2022 RMB'000	2021 RMB'000
Total current assets	**4,384,205**	2,699,928
Total current liabilities	**2,960,307**	1,430,543
Total assets	**6,944,691**	5,002,071
Total liabilities	**3,516,172**	1,486,185
Current ratio	**1.48**	1.89
Liabilities to assets ratio	**0.51**	0.30

40. Event after the Reporting Period

In December 2022, the Group entered into certain property agency agreements (the "**Agreements**") with two independent third parties (collectively referred to as the "**Third Parties**") respectively, and pursuant to which the Group has agreed to underwrite the sales of certain identifiable properties owned by the Third Parties and its affiliates at pre-determined prices over a period of one year. The Group was obliged to pay RMB1,050 million in aggregate to the Third Parties as deposits (the "**Deposits**") under the Agreements and the Group would be entitled to earn the portion of the sales proceeds in excess of, if any, the pre-determined prices of the said properties upon sales. Subsequent to the balance sheet date, in January 2023, the Group has paid the Deposits to the designated bank accounts which were owned by an entity controlled by the ultimate holding company of the Company (the "**Related Party**") according to the payment instructions from the Third Parties, whom had subsequently provided written confirmations that the Group had fulfilled its obligation of making the Deposits under the Agreements. The directors of the Company were informed by the Third Parties and the Related Party that the instructed payment made to the Related Party was related to another proposed transaction made between the Third Parties and the Related Party, pursuant to which a similar amount to that of the Deposits was owed and payable by the Third Parties to the Related Party. In the opinion of the directors of the Company, the aforesaid property agency arrangement and the Deposits paid were made in the ordinary course of its business to expand its property agency business.

41. Statement of Financial Position of the Company

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2022 RMB'000	2021 RMB'000
CURRENT ASSETS		
Cash and cash equivalents	**1,114**	8,538
Prepayments, deposits and other receivables	**2,336,385**	2,247,522
Total current assets	**2,337,499**	2,256,060
CURRENT LIABILITIES		
Other payables and accruals	**1,992**	47
Dividend payable	**103,440**	—
Total current liabilities	**105,432**	47
NET CURRENT ASSETS	**2,232,067**	2,256,013
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,232,067**	2,256,013
NET ASSETS	**2,232,067**	2,256,013
EQUITY		
Share capital	**17,568**	17,493
Reserves (note)	**2,214,499**	2,238,520
TOTAL EQUITY	**2,232,067**	2,256,013

41. Statement of Financial Position of the Company *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium RMB'000	Employee share-based compensation reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
At 1 January 2021	2,539,041	—	(73,807)	(29,890)	2,435,344
Loss for the year	—	—	—	(6,878)	(6,878)
Other comprehensive loss for the year:					
Exchange differences on translation into presentation currency	—	—	(69,322)	—	(69,322)
Total comprehensive loss for the year	—	—	(69,322)	(6,878)	(76,200)
Share-based compensation expenses	—	3,414	—	—	3,414
Repurchase and cancellation of shares	(2,969)	—	—	—	(2,969)
2020 final dividends declared	(121,069)	—	—	—	(121,069)
At 31 December 2021	2,415,003	3,414	(143,129)	(36,768)	2,238,520
At 1 January 2022	**2,415,003**	**3,414**	**(143,129)**	**(36,768)**	**2,238,520**
Loss for the year	**—**	**—**	**—**	**(4,823)**	**(4,823)**
Other comprehensive income for the year:					
Exchange differences on translation into presentation currency	**—**	**—**	**203,564**	**—**	**203,564**
Total comprehensive income/(loss) for the year	**—**	**—**	**203,564**	**(4,823)**	**198,741**
Share-based compensation expenses	**—**	**2,779**	**—**	**—**	**2,779**
2021 final dividends declared	**(242,053)**	**—**	**—**	**—**	**(242,053)**
Share issued as scrip dividend	**16,512**	**—**	**—**	**—**	**16,512**
At 31 December 2022	**2,189,462**	**6,193**	**60,435**	**(41,591)**	**2,214,499**

42. Approval of the Financial Statements

The financial statements were approved and authorised for issue by the board of directors on 26 April 2023.

Five Years Financial Summary

A summary of the results and of the assets, liabilities and equity of the Group for the last five financial years, as extracted from the audited financial statements and the Company's prospectus dated 19 October 2020, is set out below:

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
RESULTS					
REVENUE	**4,025,711**	3,255,446	1,517,227	1,124,878	659,136
Cost of sales	**(2,785,151)**	(2,029,338)	(878,679)	(705,050)	(476,175)
Gross profit	**1,240,560**	1,226,108	638,548	419,828	182,961
Other income and gains	**84,177**	26,606	11,548	5,180	2,475
Selling and distribution expenses	**(4,598)**	(4,795)	(1,987)	(921)	(499)
Administrative expenses	**(542,838)**	(333,176)	(193,563)	(164,424)	(75,178)
Other expenses, net	**(634,166)**	(22,842)	(10,514)	(10,647)	(4,456)
Finance costs	**(22,906)**	(261)	(317)	(351)	(199)
Share of profit and loss of:					
An joint venture	**1,164**	(836)	—	—	—
An associate	**2,040**	1,949	1,911	1,939	(796)
PROFIT BEFORE TAX	**123,433**	892,753	445,626	250,604	104,308
Income tax expense	**(63,582)**	(208,436)	(121,937)	(65,617)	(24,626)
PROFIT FOR THE YEAR	**59,851**	684,317	323,689	184,987	79,682
Attributable to:					
Owners of the parent	**3,412**	674,843	323,083	184,887	79,682
Non-controlling interests	**56,439**	9,474	606	100	—
	59,851	684,317	323,689	184,987	79,682

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
ASSETS, LIABILITIES AND EQUITY					
TOTAL ASSETS	**6,944,691**	5,002,071	4,228,532	1,962,186	1,216,350
TOTAL LIABILITIES	**3,516,172**	1,486,185	1,235,057	1,564,758	1,016,531
TOTAL EQUITY	**3,428,519**	3,515,886	2,993,475	397,428	199,819

MIX
Paper from
responsible sources
FSC™ C007445
FSC
www.fsc.org

KWG LIVING GROUP HOLDINGS LIMITED