旭輝永升服務集團有限公司
CIFI Ever Sunshine Services Group Limited

(Incorporated in the Cayman Islands with limited liability)
Stock code : 01995

旭輝永升服務
CIFI ES - SERVICE

用心構築美好生活

BUILDING BETTER LIVES

Grow into a customer -
preferred smart city service brand

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. LIN Zhong *(Chairman)*
Mr. ZHOU Hongbin
Mr. ZHOU Di

Non-executive Director

Mr. LIN Feng

Independent Non-executive Directors

Mr. MA Yongyi
Mr. CHEUNG Wai Chung
Mr. YU Tiecheng

COMPANY SECRETARY

Ms. CHAN Yin Wah

AUTHORISED REPRESENTATIVES

Mr. LIN Zhong
Ms. CHAN Yin Wah

STRATEGY COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. LIN Feng
Mr. ZHOU Hongbin

AUDIT COMMITTEE

Mr. CHEUNG Wai Chung *(Chairman)*
Mr. LIN Feng
Mr. MA Yongyi

REMUNERATION COMMITTEE

Mr. YU Tiecheng *(Chairman)*
Mr. LIN Zhong
Mr. MA Yongyi

NOMINATION COMMITTEE

Mr. LIN Zhong *(Chairman)*
Mr. YU Tiecheng
Mr. MA Yongyi

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS AND HEADQUARTERS IN CHINA

6F, Building 5, Henderson CIFI Center
Lane 1088, Shenhong Road
Minhang District, Shanghai, PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

40th Floor, Dah Sing Financial Centre
No. 248 Queen's Road East
Wanchai, Hong Kong

PRINCIPAL BANKS

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8th Floor
95 Changshou Road
Putuo District, Shanghai, PRC

China Construction Bank Shanghai Nujiang Road Branch
Room 101
1006 Jinshajiang Road
Putuo District, Shanghai, PRC

Ningbo Bank Shanghai Huangpu Branch
37 Huanghe Road
Huangpu District
Shanghai, PRC

China Construction Bank Suzhou Gaoxin District Branch
95 Shishan Road
Gaoxin District
Suzhou, Jiangsu Province, PRC

AUDITOR

Prism Hong Kong and Shanghai Limited
Units 1903 -1905, 19/F, 8 Observatory Road
Tsim Sha Tsui
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

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, 17th Floor
Hopewell Centre, 183 Queen's Road East
Wanchai, Hong Kong

LEGAL ADVISOR

Sidley Austin

STOCK CODE

01995

WEBSITE

www.cifies.com

AWARDS AND HONORS


證 書
CERTIFICATE
2022中国物业服务百强企业
2022 TOP100 Property Management Companies in China

秉承公正、客观、全面的原则，基于经营规模、经营绩效、服务质量、发展潜力和社会责任等方面，运用科学的评价方法和指标体系，对中国优秀物业服务企业进行系统研究，形成了2022中国物业服务百强企业研究成果。

"上海永升物业管理有限公司"
荣获2022中国物业服务百强企业经营绩效TOP10

Adhering to the principle of fairness, objectivity and comprehensiveness, conducted systematic research on China Leading property management companies which is based on business size, operational efficiency, service quality, growth potential and social responsibility, using scientific methodology and criterion to conclude with the outcome of 2022 China Top 100 Property Management Companies.

北京中指信息技术研究院
二零二二年四月


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"上海永升物业管理有限公司"
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北京中指信息技术研究院
二零二二年四月


上海永升物业管理有限公司
2021年度
青浦区百强优秀企业
上海市青浦区人民政府
二○二二年一月


500
2022中国物业服务企业综合实力10强
2022 Top 10 of China Property Management Companies
上海永升物业管理有限公司
克而瑞物管
中物研协
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2022
中国物业企业数字力 TOP10
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克而瑞


2022 中国物业
最佳雇主企业
2022中国物业组织力五十强企业
TOP6
旭辉永升服务集团有限公司
可研智库
二○二二年十二月
亿翰智库

DEFINITIONS

In this annual report, unless the context otherwise requires, the following expressions shall have the following meanings:

AGM	the annual general meeting of the Company to be convened and held on 20 November 2023
Articles or Articles of Association	the articles of association of the Company (as amended from time to time)
Audit Committee	the audit committee of the Company
associate(s)	has the meaning ascribed thereto under the Listing Rules
Best Legend	Best Legend Development (PTC) Limited (formerly known as Best Legend Development Limited), a private trust company limited by shares incorporated in the BVI on 20 April 2018 and wholly owned by Mr. Lin Feng as a special purpose vehicle to hold Shares as the trustee of the Best Legend Trust
Best Legend Trust	a trust established on 19 October 2018, with Best Legend being appointed as the trustee, for the purpose of a share award scheme adopted by Best Legend
Board or Board of Directors	the board of directors of the Company
Board Committees	collectively the Strategy Committee, the Remuneration Committee, the Nomination Committee, and the Audit Committee, and the "Board Committee" means any of them
Board Diversity Policy	the policy on Board diversity of the Company
BU	business unit
BVI	the British Virgin Islands
CG Code	the Corporate Governance Code in force from time to time set out in Appendix 14 to the Listing Rules
China or PRC	the People's Republic of China, but for the purpose of this annual report and for geographical reference only and except where the context requires, references in this annual report to "China" and the "PRC" do not apply to Taiwan, Macau Special Administrative Region and Hong Kong
CIFI Group	CIFI Holdings and its subsidiaries
CIFI Holdings	CIFI Holdings (Group) Co. Ltd. (旭輝控股(集團)有限公司) (stock code: 00884), an exempted company with limited liability incorporated in the Cayman Islands and the shares of which are listed on the Main Board
CIFI (PRC)	CIFI Group Co., Ltd. (旭輝集團股份有限公司) (formerly known as Shanghai Yongsheng Real Estate Co., Ltd. (上海永升置業有限公司) and CIFI Group Company Limited (旭輝集團有限公司)), a joint stock company with limited liability established in the PRC and an indirect wholly-owned subsidiary of CIFI Holdings

Company, Ever Sunshine, we or us	CIFI Ever Sunshine Services Group Limited (旭辉永升服务集团有限公司) (formerly known as Ever Sunshine Lifestyle Services Group Limited (永升生活服务集团有限公司)), a company incorporated in the Cayman Islands as an exempted company with limited liability on 16 April 2018 and the Shares of which are listed on the Main Board
Controlling Shareholder(s)	has the meaning ascribed thereto under the Listing Rules and, unless the context requires otherwise, collectively refers to Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei, Elite Force Development, CIFI Holdings, Xu Sheng, Spectron and Best Legend
COVID-19	Coronavirus Disease 2019
Deed of Non-Competition	the deed of non-competition dated 26 November 2018 given by our Ultimate Controlling Shareholders in favor of the Company (for itself and as trustee for each of the subsidiaries)
Director(s)	director(s) of the Company
Elite Force Development	Elite Force Development Limited, a limited liability company incorporated in the BVI on 4 April 2018, one of our Controlling Shareholders and is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei
FVTPL	fair value through profit and loss
GFA	gross floor area
Group	the Company and its subsidiaries
Hong Kong or HK	the Hong Kong Special Administrative Region of the PRC
Hong Kong dollars, HKD or HK$	Hong Kong dollars, the lawful currency of Hong Kong
Independent Third Party(ies)	a person, or in the case of a company, the company or its ultimate beneficial owner(s), who is independent of and not connected with the Company and its subsidiaries and its connected persons and its ultimate beneficial owner(s) or their respective associates
IPO	the initial public offering of the Company
Listing	the listing of the Shares on the Main Board
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
Main Board	the stock exchange (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with GEM of the Stock Exchange

DEFINITIONS

Memorandum	the memorandum of association of the Company (as amended from time to time)
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 to the Listing Rules
Nomination Committee	the nomination committee of the Company
Over-allotment Option	the option granted by the Company, pursuant to which the Company may be required to allot and issue up to an aggregate of 57,000,000 additional new Shares to, among other things, cover the over-allocations (if any) in the placing of Shares to professional, institutional and other investors (the portion of which has not been exercised has lapsed on 6 January 2019)
Prospectus	the prospectus of the Company dated 4 December 2018
Rain-Mountain	Rain-Mountain Limited
Remuneration Committee	the remuneration committee of the Company
Renminbi or RMB	the lawful currency of the PRC
Reporting Period	the period from 1 January 2022 to 31 December 2022
SFO	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
Shareholder(s)	holder(s) of the Share(s)
Share(s)	ordinary share(s) with nominal value of HK$0.01 each in the share capital of the Company, which are traded in Hong Kong dollars and listed on the Main Board of the Stock Exchange
Spectron	Spectron Enterprises Limited, a limited liability company incorporated in the BVI on 18 September 2014 and one of our Controlling Shareholders
sq.m.	square metres

Stock Exchange	The Stock Exchange of Hong Kong Limited
Strategy Committee	the strategy committee of the Company
substantial shareholder	has the meaning as ascribed thereto under the Listing Rules
Ultimate Controlling Shareholders	Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei
Xu Sheng	Xu Sheng Limited, a limited liability company incorporated in the BVI on 9 May 2011, a wholly-owned subsidiary of CIFI Holdings and one of our Controlling Shareholders
Yongsheng Property	Shanghai Yongsheng Property Management Co., Ltd.* (上海永升物業管理有限公司) (formerly known as Shanghai Yongsheng Property Management Company Limited (上海永升物業管理股份有限公司)), a limited liability company established in the PRC and an indirect wholly-owned subsidiary of the Company

* *For identification purposes only*

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thank you for your continuous support for the evolution and development of Ever Sunshine.

On behalf of the Board, I am pleased to present this annual report of the Group for the year ended 31 December 2022, summarizing the Group's achievements and shortcomings during the Reporting Period, while sharing our future plans and developments.

In 2022, the Group's revenue increased by approximately 33.5% to approximately RMB6,276.5 million. In terms of revenue structure, revenue from property management services grew by 46.5% to RMB3,887.8 million, revenue from value-added services to non-property owners grew by 11.2% to RMB964.4 million, revenue from community value-added services decreased by 7.2% to RMB1,020.1 million and revenue from city services increased to RMB403.4 million, with the overall revenue structure of the four sectors being approximately 61.9%, 16.3%, 15.4% and 6.3%.

Gross profit decreased slightly by 0.5% to RMB1,293.3 million, resulting in a profit attributable to owners of the Company of RMB480.1 million, representing a year-on-year decrease of 22.2%, and net cash outflow from operating activities was RMB1,019.7 million, a weaker performance than last year.

During the year ended 31 December 2022, the Group's contracted GFA increased from 270.8 million sq.m. as at 31 December 2021 to 303.4 million sq.m. as at 31 December 2022, representing a growth of approximately 12.0%, and the GFA under management increased from 171.0 million sq.m. as at 31 December 2021 to 210.0 million sq.m. as at 31 December 2022, representing a growth of approximately 22.8%.

In 2022, the overall scale of new investment in real estate continued to decline due to the ongoing pressure from the real estate regulation and pandemic control policies, with a less incremental of new contract GFA from our parent company, CIFI Group, and a reduction in the number of mergers and acquisitions due to the adoption of stricter risk control requirements. Against the backdrop of a continued turbulent external environment, our third-party bidden remain strong, new contract GFA from third parties achieved 48.1 million sq.m.. At the same time, we strengthened our strategic cooperation with a number of companies with quality resources to build up our reserves for future development.

In terms of results, the overall business and financial performance in 2022 was weaker than our development plan. On the one hand, the industry was under extreme hardship. Under the impact of the ongoing regulatory turmoil and the recurrence of the pandemic in the real estate industry, the development of the industry had been under tremendous pressure, and our overall business development progress, especially the development of value-added services, had lagged behind. At the same time, problems that had been overlooked during the rapid development of the past were beginning to emerge, and the various new problems encountered in the development of innovative businesses at this particular stage also posed different challenges to our management.

In conclusion, there are many objective factors brought about by the irreversible external environment, but there are also many areas where we can improve efficiency through management changes.

We remain convinced that property management is a promising industry and that each cycle is a reshaping of the industry and the competitive landscape and a natural selection and elimination of competitors.

The Board and the management team will continue to lead the Company in embracing changes, overcoming difficulties, tackling challenges and navigating through cycles.

STABILIZATION OF THE INDUSTRY DEVELOPMENT ENVIRONMENT, MARKETIZATION OF RELATED BUSINESS TRANSACTIONS

The property management industry had experienced significant hardship and criticism in 2022 against the backdrop of the spillover impact of the cyclical real estate crisis. As the government's policies to support the development of the real estate continue to emerge and socio-economic activities return to the right track after the pandemic control measures had been relieved, it is believed that the darkest phase of the real estate industry had passed and the real estate industry continues to pick up, which has laid a good foundation to help the property management industry return to normal operations and the environment for the development of the industry will gradually stabilize. We will also further enhance our risk prevention, clarify our historical business transactions with related parties to a high standard and further strengthen market standards in our future development.

In 2022, revenue generated from the connected transactions between Ever Sunshine and our parent company, CIFI Group, amounted to approximately RMB695.6 million, representing only 11.1% of the total revenue of the Group, and as of 31 December 2022, the GFA under management contributed from CIFI Group accounted for only 20.0% of the Group's total GFA under management. This is a result of the high disciplinary principle of "dependence but not reliance" that we and CIFI Group adhered to in the past, so even if the revenue from connected transactions with CIFI Group gradually decreases in the future, the impact will be manageable with the Company's own market-oriented expansion and operational capabilities.

A PERIOD OF FRIENDLY POLICY, PROACTIVE CHANGE, AND CONSOLIDATION OF TALENT AND ORGANIZATIONAL COMPETITIVENESS

Related friendly policies for the property management services industry continue. In recent years, governments at all levels have promulgated a number of encouraging and supportive policies in relation to property management to promote a healthy and regulated industry. Property management is beginning to play an increasingly important role in the maintenance of social stability and primary services. The policy has given property management an indispensable role and a clear direction for quality and value development.

At the same time, with the restructuring and liquidation of the real estate industry, the development of property management industry has entered a new phase and market-oriented competition has become the main theme. We are proactively seeking changes to streamline our organization and improve staff efficiency on the one hand, and to enhance our service competitiveness through effective means such as technology empowerment on the other hand.

Specifically, we have continued to attract quality talent and optimize our talent capability structure. Against the backdrop of slowing socio-economic growth, we insisted on campus recruitment to upgrade and optimize our talent structure. In 2022, over 300 fresh university graduates joined Ever Sunshine as "endless dynamic" (永動力), becoming a strong reserve force to drive Ever Sunshine's continuous evolution. In 2022, we promoted the establishment of the Employee Mutual Aid Foundation and more than 4,800 employees joined it. We insist on being a warm organization, treating our employees well and giving them more protection for their well-being, and we believe that after this cycle of major adjustments, the endurance, professionalism and combat power of our organization will be effectively strengthened and consolidated.

TARGETED LAYOUT OF THE BUSINESS AND ADHERENCE TO EFFECTIVE SCALE EXPANSION

In 2022, as more of our peers turn their attention and vision to the search for more and more comprehensive business layouts, the industry is blossoming and the boundaries of exploration are being opened up, with more subdivision of the non-residential market and city services entering the radius and scope of property management, while at the same time the drawbacks of "unconventional land and water" (水土不服) are beginning to emerge.

The Company remains committed to the view that the service capability of any company has boundaries. we do not need to try out or extend many new businesses quickly. The Company's existing services are sufficiently diverse. We insist on doing a business thoroughly within the boundary of our capability, and then gradually extend around the circle of capability to form a competitive pattern and relative advantage of "one super and many strong" (一超多強) in the layout of the business. At this stage, we are restraining the urge to expand rapidly, not to do too much, not to create a lack of service quality and service characteristics, and to focus more on professional and industry segmentation, which remains our future development strategy and direction.

FOCUS ON VALUE-ADDED SERVICES DEVELOPMENT BY ADHERING TO THE STRATEGIC DIRECTION OF "PLATFORM + ECOSYSTEM"

In 2022, the growth of community value-added services had been impacted in the short term by the prolonged closure due to the recurring pandemic and the lack of spending power due to the weak economy. However, we continue to believe that the "Platform + Ecosystem" strategy is fundamental to the future development of the community, and that putting it into practice is the most viable expression of the community. Specifically, "Ecosystem" means building capacity around the diversified needs of property owners, so we will continue to do more and more around home services and home-living services for property owners. "Platform + Ecosystem"has a very important strategic position in the Company, and we firmly believe that only if this path is successful will it be possible to transfer property management services from public area management to home management. During this year, our La Baie D'Evian (依雲灣) project in Shanghai had given us great confidence in the implementation of our home-living business. In the post-pandemic period, which coincides with the time phase of close interaction with property owners, we will focus on investing a lot of time and energy in research and development to perfect the service portfolio and door-to-door process. We will focus on investing in the research and development of community value-added services to gradually meet the high standards and quality requirements of our property owners.

In the midst of the cycle's turbulent waves, we are determined to move forward.

BUSINESS REVIEW

Overview

We are a reputable and fast-growing comprehensive property management service provider in China. In May 2022, we were honourably elected as one of the "2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業)" by the China Index Academy and continued to maintain our high ranking in terms of overall industry strength. As at 31 December 2022, we provided property management services, value-added services, as well as city services in 116 cities within Mainland China, with total contracted GFA of approximately 303.4 million sq.m, among which, total GFA under management amounted to approximately 210.0 million sq.m., serving more than 930,000 households.

Our business covers a board spectrum of properties, including residential properties and non-residential properties (such as office buildings, shopping malls, school campus, hospitals, scenic spots, government-owned buildings, expressway stations, rail transit, and ferry terminals). We also provide city services and other high-quality tailored services.

We embrace the philosophy of "Building Better Lives", revolve around the core value of "Let Customer be Trouble-Free, Worry-Free, and Discontent-Free (讓用戶省心、放心、開心)", using technological innovation to drive diversified development, adhere to the development strategy of "Platform + Ecosystem". We are committed to providing our wide range of clients with comprehensive, attentive, and professional property management services, and are devoted to growing into a customer-preferred smart city service brand.

Our Business Model

We operate four major business lines, namely (i) property management services, (ii) community value-added services, (iii) value-added services to non-property owners, and (iv) city services, which form a comprehensive service portfolio offering to our customers and cover the entire value chain of the property management industry.

- Property management services: We provide a variety of property management services to property developers, property owners and residents, which primarily include cleaning, security, gardening and repair and maintenance services. We manage a portfolio of residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, schools, hospitals, scenic spots, government-owned buildings, expressway service stations, rail transit and ferry terminals.

- Community value-added services: We provide community value-added services to both property owners and residents with the aim of not only improving their living experiences, but also the upkeep and betterment of their asset values. These services mainly cover (i) home-living services; (ii) parking unit management and leasing services; (iii) property agency services; and (iv) common area value-added services.

- Value-added services to non-property owners: We provide a comprehensive range of value-added services to non-property owners, which primarily include property developers and, to a lesser extent, non-property developers who require certain additional tailored services in respect of their non-residential properties and property management services providers who outsource certain value-added services to us. Our value-added services to non-property owners mainly include (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services, which cover on-site inspection services for each unit to provide sufficient recommendations from the end-user's perspective.

- City services: We can provide a wide range of city services, which mainly include (i) city environmental sanitation; (ii) waste sorting and treatment; (iii) installation of block facilities; (iv) landscaping project; (v) old communities renovation; and (vi) smart block construction.

Property Management Services

Continuous High Quality Growth in Area Size

We are committed to a deep city development strategy and insist on quality expansion as one of our strategic objectives. During the year ended 31 December 2022, we achieved high quality growth in contracted GFA and GFA under management through multi-wheel drivers.

As at 31 December 2022, we had approximately 303.4 million sq.m. of contracted GFA and 1,542 contracted projects, representing an increase of approximately 12.0% and 9.4% respectively as compared with those as at 31 December 2021. As at 31 December 2022, we had approximately 210.0 million sq.m. of GFA under management and 1,148 projects under management, representing an increase of approximately 22.8% and 11.2% respectively as compared with those as at 31 December 2021.

The table below sets forth the changes in our contracted GFA and GFA under management for the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December			
	2022		2021	
	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)	Contracted GFA (sq.m. '000)	GFA under management (sq.m. '000)
As at the beginning of the year	270,767	171,037	181,192	101,625
Additions (1)	53,010	46,845	94,277	74,000
Terminations (2)	(20,342)	(7,928)	(4,702)	(4,588)
As at the end of the year	303,435	209,954	270,767	171,037

Notes:

(1) With respect to our residential and non-residential projects under management, additions primarily included preliminary management contracts for new properties developed by property developers, property management service contracts pursuant to which we replaced the previous property management service providers, and property management contracts acquired through acquisitions of subsidiaries.

(2) These terminations included our voluntary non-renewals of certain property management services contracts as we reallocated our resources to more profitable engagements in order to optimize our property management portfolio.

Our Geographic Footprint

Since the Group's inception up to 31 December 2022, we have expanded our geographic footprint from Shanghai to 116 cities in China, pursuing effective scale expansion with the goal of deep regional cultivation.

The table below sets forth a breakdown, by geographic location, of our total GFA under management as at the dates indicated and the revenue generated from property management services for the years ended 31 December 2022 and 2021 respectively:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Eastern region (1)	121,874	2,255,671	58.1	97,556	1,731,755	65.2
Northern region (2)	22,249	434,986	11.2	26,517	252,836	9.5
Central Southern region (3)	35,363	529,937	13.6	22,540	264,791	10.0
Western region (4)	24,070	498,611	12.8	19,654	285,793	10.8
Northeastern region (5)	6,398	168,606	4.3	4,770	119,250	4.5
Total	209,954	3,887,811	100.0	171,037	2,654,425	100.0

Notes:

(1) Cities in the eastern region in which we have property management projects include Shanghai, Suzhou, Jiaxing, Hangzhou, Nanjing, Wuxi, Xiamen, Zhoushan, Zhangzhou, Rizhao, Liaocheng, Yangzhou, Lianyungang, Xuancheng, Jinhua, Chuzhou, Huzhou, Quanzhou, Zhenjiang, Zibo, Zunyi, Huai'an, Wuhu, Huainan, Yantai, Shaoxing, Weihai, Suqian, Taizhou, Fuzhou, Yancheng, Weifang, Heze, Jining, Wenzhou, Taizhou, Fuyang, Dezhou, Xuzhou, Linyi, Nantong, Changzhou, Jinan, Dongying, Anqing, Ningbo, Binzhou, Qingdao and Hefei.

(2) Cities in the northern region in which we have property management projects include Beijing, Tianjin, Shijiazhuang, Taiyuan, Cangzhou, Tangshan , Langfang and Handan.

(3) Cities in the central southern region in which we have property management projects include Shenzhen, Foshan, Wuhan, Zhengzhou, Changsha, Nanyang, Jiangmen, Putian, Dali Bai Autonomous Prefecture, Guangzhou, Nanchang, Huanggang, Zhoukou, Huizhou, Guilin, Nanning, Yichang, Shaoyang, Zhuzhou, Xiangtan, Zhongshan, Shangqiu, Xuchang, Dongguan, Qiandongnan Miao and Dong Autonomous Prefecture, Xiangxi Tujia and Miao Autonomous Prefecture, Nujiang Lisu Autonomous Prefecture, Yueyang, Changde, Hengyang, Liuzhou, Qiannan Buyei and Miao Autonomous Prefecture and Luoyang.

(4) Cities in the western region in which we have property management projects include Xi'an, Chengdu, Chongqing, Baoji, Anshun, Weinan, Luliang, Tianshui, Urumqi, Xiangyang, Haidong, Xining, Zaozhuang, Yinchuan, Hohhot, Baiyin, Guiyang, Liupanshui, Kunming and Bijie.

(5) Cities in the northeastern region in which we have property management projects include Changchun, Harbin, Shenyang, Dalian, Panjin and Chaoyang.

Pursuit of Continuous Expansion of at an Effective Scale

Marketization of Business Transactions with CIFI Group

As a long-standing service partner of CIFI Holdings, the Group has been building a stable market-based collaborative partnership with CIFI Group. The year 2022 was a year full of cyclical regulation and sudden changes in the competitive landscape for the real estate industry, and the property management services industry was also impacted by the spillover of the crisis. The impact of the crisis on the property management services was within control as we adhere to the "dependence but not reliance" development principle with CIFI Group.

According to the announcement published by CIFI Holdings on 11 January 2023, in 2022, CIFI Group recorded aggregated contracted sales (including contracted sales by joint ventures and associated companies) of approximately RMB124.03 billion, and contracted sales area of approximately 8.4 million sq.m..

CONTINUED REFINEMENT OF INDEPENDENT THIRD-PARTY MARKET DEVELOPMENT CAPABILITIES

As one of the most important drivers of the Company's expansion, we have been actively exploring third-party markets in a diversified manner, increasing our market share by expanding our resources to different independent markets, and refining the capacity of ability to build our team and to empower them. Our main targets for market expansion include regional property developers, property owners' committees, local governments and commercial and corporate clients. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In 2022, we acquired premium first-hand projects such as Zaozhuang Youfeng Laiyi (棗莊有鳳來儀), Taizhou Lanwan Huating (台州藍灣華庭) and Heze Guotai Xixi Shijia (菏澤國泰西溪世家). To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In 2022, we acquired premium second-hand projects such as Hangzhou Yefeng Shancheng (杭州野風山城), Shanghai Qiangwei Jiuli (上海薔薇九里), Nanjing Chengwang Lidu (南京騁望麗都) through pubic tender. We also participated in government procurement, including tenders for public construction projects such as sports stadiums, rail transit, transportation hub points and office buildings. In 2022, we acquired premium public construction projects such as General Hospital of Taizhou People's Hospital (泰州市人民醫院總院), VIP Hall Service of Shanghai Hongqiao Airport (上海虹橋機場貴賓廳服務), Cleaning for Xi'an Metro Line 5 (西安地鐵5號線保潔). In addition, we established a "Commercial Division" within the Company with the aim of developing a more professional and refined approach to commercial and corporate services in the long term. In 2022, we acquired projects for corporate headquarters and office parks such as Chengdu Jingdong Asia No.1 Tianfu Phase II and Phase III Park (成都京東亞洲一號天府二三期園區), Shenzhen BYD Hexagonal Building (深圳比亞迪六角樓), Guizhou Company of China Mobile (中國移動貴州公司).

Attributable to our high quality services, professional marketing team, multi-channels for sourcing and renowned reputation, we have achieved rapid growth in terms of GFA developed by third-party property developers.

Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have been a crucial part of our development process. In terms of mergers and acquisitions, the Group adheres to the principle of "Selects the target carefully before investment; conducts effective management after investment (投前精選標的，投後完善管理)". Through strategic mergers and acquisitions, we increased our market share in existing markets, expanded our regional business scales, and made up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

In recent years, we adhered to the prudent principle for mergers and acquisitions and acquired projects such as Zhengzhou Jinyi Property Service Co., Ltd.* (鄭州錦藝物業服務有限公司) for residential properties, Qingdao Yayuan Property Management Co., Ltd.* (青島雅園物業管理有限公司) and Shanghai Macalline Property Management Services Co., Ltd.* (上海美凱龍物業管理服務有限公司) for commercial and office space, Jiangsu Xiangjiang Property Development Co., Ltd.* (江蘇香江物業發展有限公司) for public facilities, Shandong XinJian Property Development Co., Ltd.* (山東鑫建物業發展有限公司) for logistics park, Hunan Meizhong Biophysical Environment Technology Co., Ltd.* (湖南美中環境生態科技有限公司) ("**Meizhong Environment**") for city sanitation and Huaxi Xin'an (Beijing) Property Management Co., Ltd.* (華熙鑫安 (北京) 物業管理有限公司) for mixed-use complex. In 2022, we reduced the number of mergers and acquisitions throughout the year due to the continued disturbance in the external environment and the Company's stringent internal risk management requirements.

The table below sets forth the breakdown, by type of property developer, of our total GFA under management as at the dates indicated:

	As at 31 December			
	2022		2021	
	GFA sq.m. '000	%	GFA sq.m. '000	%
CIFI Group [(1)]	42,038	20.0	32,051	18.7
Third-party property developers [(2)]	167,916	80.0	138,986	81.3
Total	209,954	100.0	171,037	100.0

(1) Included properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest.

Transforming into a Comprehensive Property Management Service Provider

We manage a wide range of properties, including residential and non-residential properties. We have accumulated tremendous experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and schools. Meanwhile, with the further opening up of the non-residential market, we were offered with more opportunities to participate in the tender bidding in such market and expand market share. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including headquarters buildings for large enterprises, expressway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We treat the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the expansion of GFA under management as well as increase in the concentration in local markets. Despite the fact that revenue generated from residential property projects has contributed and will continue to contribute the largest proportion of our property management revenue, we strive to diversify our service portfolio to get more development of refinement and specialization in the non-residential properties. As at 31 December 2022, non-residential properties accounted for approximately 36.4% in our GFA under management, while that was 34.4% as at 31 December 2021.

The table below sets forth a breakdown, by different types of properties as they were developed, of our total GFA under management as at the dates indicated and revenue from property management services generated therefrom for the years ended 31 December 2022 and 2021 respectively:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m.'000	Revenue RMB'000	%
Residential properties	133,609	2,133,744	54.9	112,173	1,478,060	55.7
Non-residential properties	76,345	1,754,067	45.1	58,864	1,176,365	44.3
Total	209,954	3,887,811	100.0	171,037	2,654,425	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted profit margins, property owners and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion charged on a commission basis.

The following table sets forth a breakdown, by revenue model, of our total GFA under management as at the dates indicated and revenue from property management services for the years ended 31 December 2022 and 2021 respectively:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA sq.m. '000	Revenue RMB'000	%	GFA sq.m. '000	Revenue RMB'000	%
Lump sum basis	206,802	3,883,195	99.9	169,202	2,651,157	99.9
Commission basis	3,152	4,616	0.1	1,835	3,268	0.1
Total	209,954	3,887,811	100.0	171,037	2,654,425	100.0

Community Value-Added Services

In 2022, a variety of community value-added services were affected by the challenges of multiple outbreaks of the COVID-19 pandemic that exceeded expectations and the weakened property market in China. The revenue from community value-added services was approximately RMB1,020.1 million for 2022, representing a decrease of approximately 7.2% compared with approximately RMB1,099.5 million in 2021.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Group's key strategic development directions. We adhered to the concept of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, so as to boost the revenue generated from our community value-added services.

Leveraging on our expanded service scope, enriched experience in developing community value-added services and continuous improvement and upgrade of talents, we continued to deepen our research on community conditions and targeted service groups, and proceeded from multiple areas including demand identification, product and service design, channel and supplier selection, as well as marketing plan formulation. In 2022, despite the challenges we met, we strived to continue to advance the various community value-added services. The revenue generated from community value-added services accounted for 16.3% of our total revenue and maintained at a high level, and the Group will continue to adhere to the strategy of promoting the increase in the percentage of revenue from community value-added services.

We adhered to our strategy of "Platform" + "Ecosystem" by applying the business unit ("**BU**") approach to our growing specialized business. Through adopting the expanding community as a platform base and providing specialized assistance, we enabled our specialized business units to grow up independently on such platform. In 2022, on the basis of the successful development of such BU as community maintenance and repairing, home decoration, and property agency services, we further promoted the development of our home service business, put more efforts into our strategic focus and re-engineered our products and business models. In the future, we will continue to promote the application of the BU approach to value-added business which are in line with our business development strategies.

Currently, our community value-added services cover four major areas, namely home-living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Home-living services (1)	606,561	59.5	570,044	51.8
Parking unit management and leasing services (2)	131,771	12.9	124,176	11.3
Property agency services (3)	170,658	16.7	321,913	29.3
Common area value-added services (4)	111,073	10.9	83,351	7.6
Total	1,020,063	100.0	1,099,484	100.0

Notes:

(1) This primarily included house delivery-stage renovation services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; and special services such as facilities and equipment repair, maintenance and renovation for communities.

(2) This primarily included fees received from leasing and management of parking units.

(3) This primarily included agency services related to apartments and agency sales and agency leasing of parking unit.

(4) This primarily included service income received from leasing and management of common areas.

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that primarily includes display units management services (the scope of services mainly covers security, cleaning, greening, reception etiquette, and other services for display units), additional tailored services, preliminary planning and design consultancy services, housing repair services, and pre-delivery inspection services. We extend the professional services of property management to the front end of property development. Most of these non-property owners are property developers.

In 2022, the revenue from value-added services to non-property owners increased by approximately 11.2% to approximately RMB964.4 million as compared with RMB867.4 million in 2021, mainly due to our vigorous development of housing repair business. Under the guidance of the "Vertical Industry Chain Expansion Strategy", we have enhanced professionalism level and service capacity. Along with providing services to CIFI Group, more third-party property developers have commissioned us to provide value-added services. During the year ended 31 December 2022, the the revenue from value-added services to non-property owners accounted for 15.4% of the Group's total revenue.

The table below sets forth a breakdown of our revenue generated from our value-added services provided to non-property owners for the years ended 31 December 2022 and 2021 respectively:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Sales assistance services	334,013	34.6	353,668	40.8
Additional tailored services	394,321	40.9	310,021	35.7
Preliminary planning and design consultancy services	70,095	7.3	96,961	11.2
Housing repair services	121,203	12.6	67,437	7.8
Pre-delivery inspection services	44,797	4.6	39,275	4.5
Total	964,429	100.0	867,362	100.0

City Services

With the continuous development of social governance and the socialisation of logistic services for the authorities, we have gradually expanded from the traditional residential property sector to the non-residential sector and then to the operation of city services based on the market demand and the development direction of the Company's "big property services (大物業)" strategy. Since 2020, we have earned experiences in urbanization services through strategic cooperation with regional urban investment platforms such as Shanghai Lingang New City Investment & Construction Co., Ltd.* (上海臨港新城投資建設有限公司) and Wuxi Huishan State-owned Investment Holding Group Co., Ltd.* (無錫市惠山國有投資控股集團有限公司), and further built up our professional capabilities in city services through the acquisition and integration of Meizhong Environment in 2021.

We launched the Company's mission "Building Better Lives" at the initial stage of our listing, and in 2020, we first announced the Company's vision to "Grow into A Customer-preferred Smart City Service Brand". After continuous exploration and research, we have positioned the Company's city services in three directions: (i) city municipal services butler, focusing on environmental sanitation and greening, as well as old community renovation services; (ii) urban asset management assistant, serving urban idle space and area resource management; and (iii) urban future development partner, serving smart city construction.

FUTURE OUTLOOK

In the past year of 2022, the resurgence of the COVID-19 pandemic had posed a great challenge to the socio-economic operation. As a property management company, we have the responsibility to actively cooperate with the local government in neighbourhood governance work to safeguard the health and living convenience of property owners, while always prioritising the safety of our staff. In the face of the new challenges and opportunities ahead, the Group's management will lead our staff to overcome obstacles and challenges and move forward quickly in line with our set goals.

Step-up Increase in our Business Size and Market Share

We plan to increase both the number and GFA of properties under management. We will further expand and optimize our professional marketing team to prepare for strategical evaluation and participation in biddings. We strive to acquire more property management businesses through tendering and bidding and achieve quality improvement. We intend to further increase our business footprint and project density in strategic locations with high population density and consumption capacity, focusing on 100 cities. Based on the Group's strong brand, we have also established strategic alliances with property developers and urban construction investment companies to provide property management services for their projects, further penetrate into strategic market share. Moreover, we aim to leverage on the overwhelming trend of service socialization to diversify the portfolio of properties under management via managing more non-residential properties, such as hospitals, exhibition centers and industrial parks. With the evolution of the Group's capabilities and opportunities arising in the industry, we will also gradually expand the Group's footprint and seize opportunities in city service as well as other segments.

Continuous Endeavour to Diversify our Services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services.

When providing value-added services to property developers, we will enhance full industry chain coverage for property development, sales and management so as to achieve vertical industry extension. We aim to acquire more opportunities to secure property management projects.

We also plan to provide consultancy services to local property management companies to expand our business and enhance our brand awareness.

Community value-added services have always been our strategic focus "to make the platform bigger and stronger, and to make the ecosystem better and more thorough (做大做強平台、做優做透生態)". We will continue to implement the BU system and operate the specialized business after validation of business logic in an independent manner with more focus, professionalism and talent. We hope to increase our market penetration rate and reach out to the common needs of property owners in a better and broader way.

Continuing to Bring in Talents and Upgrade Organization

We continue to bring in premium young blood to the Group through our "Endless Dynamic (永動力)" campus recruitment programme. As we expand our management scale and upgrade our service offerings, we have been nurturing dedicated talents for the long-term development of the Group. For our senior management, we have continued to implement our strategy of "vacating cage to change bird (騰籠換鳥)", aiming to build a genuine senior management team with vision and consensus. We also give our middle-level management sufficient room for growth and professional training in various business areas. We have been building an all-round organization at different levels to activate team dynamics.

Further Investment in Technologies and Intelligent Operations

We will make further investments in technologies and intelligent operations to improve our service quality and operational efficiency. In 2019, we established Linjiu Intelligent Technology Co., Ltd.* (霖久智慧科技有限公司) with the aim to enhance our service quality management with digital construction and to enable technology to drive the property revolution.

We plan to invest further in the upgrade of our internal management system. We expect to optimize our internal enterprise resource planning (ERP) information system, office automation system, financial system, human resources system and contract management system. We will build a big data information sharing platform, comprising management tools such as customer relationship management (CRM) cloud, property management cloud, bill management cloud and parking cloud, to enable the interconnection of information among property owners, our employees, and business partners. We plan to establish a centralized command center to enable remote control of our operation, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency. We will continue to press forward with our progress towards standardization, centralization, digitalization and automation to ensure the consistent delivery of quality services with minimal human errors and to exercise effective control on operational costs.

FINANCIAL REVIEW

Revenue

In 2022, due to our continuous multi-wheel driven business development, the Group's revenue was approximately RMB6,276.5 million, representing an increase of 33.5% from approximately RMB4,702.8 million in 2021.

Revenue of the Group by business line is as follows:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Property management services	3,887,811	61.9	2,654,425	56.4
Community value-added services	1,020,063	16.3	1,099,484	23.4
Value-added services to non-property owners	964,429	15.4	867,362	18.4
City services	403,350	6.3	80,579	1.7
Others	826	0.1	966	0.1
Total revenue	6,276,479	100.0	4,702,816	100.0

The revenue generated from property management services was still our largest source of revenue. During 2022, the revenue from property management services was approximately RMB3,887.8 million, accounting for 61.9% of the Group's total revenue. The increase in revenue from property management services was primarily driven by the growth of our total GFA under management. Our total GFA under management increased from approximately 171.0 million sq.m. as at 31 December 2021 to approximately 210.0 million sq.m. as at 31 December 2022, which was a result from our steady cooperation with CIFI Group, our efforts to expand the third-party customer base, as well as our acquisitions of other property management service providers. The following table sets out the Group's revenue derived from property management services by type of property developer during the years indicated:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
CIFI Group[(1)]	1,082,755	27.8	768,385	28.9
Third-party property developers[(2)]	2,805,056	72.2	1,886,040	71.1
Total revenue	3,887,811	100.0	2,654,425	100.0

(1) Included properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest.

During the year ended 31 December 2022, the Group was committed to expand the sources of revenue from value-added services.

The revenue from community value-added services decreased from approximately RMB1,099.5 million for 2021 to approximately RMB1,020.1 million for 2022, representing a decrease of 7.2%. The decrease in revenue from community value-added services was mainly due to the decrease of revenue from property agency services business, which was affected by COVID-19 pandemic and the weakened property market in China during the year ended 31 December 2022.

The revenue from value-added services to non-property owners increased by approximately 11.2% from approximately RMB867.4 million for 2021 to approximately RMB964.4 million for 2022, which was mainly driven by the increase in the revenue generated from additional tailored services and housing repair services. During the year, we further strengthened our cooperation relationship with partner property developers and provided them with professional and quality services, and we have also further developed fitting-out business which commenced since the second half of 2021.

In October 2021, the Group officially stepped into the city services business in the PRC by acquiring Meizhong Environment, which is a reputable environmental sanitation service provider. During the year ended 31 December 2022, the revenue generated from city services was approximately RMB403.4 million.

Cost of Services

Cost of services increased by approximately 46.4% from approximately RMB3,403.0 million for 2021 to approximately RMB4,983.2 million for 2022, primarily due to the increase of various kinds of costs as a result of the scale-up of our business. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

Gross profit

As a result of the above principal factors, the Group's gross profit decreased by approximately 0.5% from approximately RMB1,299.9 million for 2021 to approximately RMB1,293.3 million for 2022.

Gross profit margin of the Group for major business lines was as follows:

	For the year ended 31 December	
	2022	2021
Property management services	19.4%	23.1%
Community value-added services	29.7%	44.9%
Value-added services to non-property owners	21.3%	20.9%
City services	7.6%	15.5%
Overall	20.6%	27.6%

In 2022, the gross profit margin of the Group was 20.6%, representing a decrease of 7.0 percentage points as compared with that of 27.6% for 2021, which was primarily due to the decrease in gross profit margin of our property management services, community value-added services, as well as the increase of revenue from city services which has a relatively lower gross profit margin.

The gross profit margin of property management services was 19.4%, representing a decrease as compared with that of 23.1% for 2021. The decrease was primarily due to the increase in the proportion of revenue from public properties which has a relatively lower gross profit margin.

The gross profit margin of community value-added services was 29.7%, decreased from 44.9% for 2021, which was mainly due to the decrease in the proportion of revenue from property agency services which has a relatively higher gross profit margin.

The gross profit margin of value-added services to non-property owners was 21.3%, which remained stable as compared with that for the year 2021.

The gross profit margin of city services, decreased from 15.5% for 2021 to 7.6% for 2022, which was mainly due to relatively higher expenditures and lower gross profit margin at development stage.

Other income and other gains and losses

In 2022, the Group's other income and other gains and losses recorded a net gain of approximately RMB175.5 million, representing an increase of 43.6% from approximately RMB122.2 million for 2021. This was primarily due to an increase in gain from fair value changes of financial assets at FVTPL.

Administrative and selling expenses

In 2022, the Group's total administrative and selling expenses amounted to approximately RMB563.6 million, representing an increase of approximately 21.2% from approximately RMB464.9 million for 2021, which was mainly due to the increase of personnel investment caused by the increase in the headcount of administrative and sales staff as a result of the growth of our business volume. The Group attached great importance to improving management efficiency. During the year ended 31 December 2022, the growth rate of the Group's administrative and selling expenses was much lower than that of the Group's revenue.

Other expenses

During the year ended 31 December 2022, the Group recorded other expenses of approximately RMB2.8 million, representing an increase from approximately RMB22,000 for 2021. Such increase was mainly because in 2021 we reversed the over-accrued contingent liability.

Profit before taxation

During the year ended 31 December 2022, the profit before income tax was approximately RMB741.0 million, representing a decrease of approximately 16.9%, as compared with approximately RMB891.4 million for 2021.

Income tax expense

During the year ended 31 December 2022, the Group's income tax was approximately RMB165.1 million, representing 22.3% of the profit before income tax expense, while the income tax was approximately RMB198.9 million, representing 22.3% of the profit before income tax expense in 2021.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2022 was approximately RMB480.1 million, representing a decrease of approximately 22.2%, as compared with approximately RMB617.0 million for 2021.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of buildings, leasehold improvements, computer equipment, transportation equipment, as well as other fixed assets. As at 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB129.7 million, representing an increase from approximately RMB112.3 million as at 31 December 2021, which was mainly due to the increase of transportation equipment as a result of the business development of Meizhong Environment.

Investment properties

Our investment properties mainly comprised buildings, parking spaces and storage rooms at the properties we owned. As at 31 December 2022, the Group's investment properties amounted to approximately RMB556.7 million, representing an increase from approximately RMB59 million as at 31 December 2021, which was mainly due to the acquisition of three buildings that yields rental income.

Intangible assets

The Group's intangible assets mainly comprised property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 31 December 2022, the Group's intangible assets amounted to approximately RMB354.2 million, representing a decrease from approximately RMB371.7 million as at 31 December 2021, which was mainly caused by the amortization of intangible assets during the year ended 31 December 2022, and our continuous investment in information technology systems for the purpose of improving our managerial competence and delivering better services to our clients.

Goodwill

As at 31 December 2022, the Group's goodwill amounted to approximately RMB1,454.7 million, representing an increase from approximately RMB1,343.7 million as at 31 December 2021. This increase in goodwill was mainly resulted from the acquisition of subsidiaries from third parties during the year ended 31 December 2022.

Trade and bill receivables

Our trade and bill receivables mainly arose from property management services income under a lump sum basis, value-added services to non-property owners and city services. As at 31 December 2022, trade and bills receivables of the Group amounted to approximately RMB1,771.7 million, representing an increase from approximately RMB788.3 million as at 31 December 2021, which was mainly due to the increase in our revenue.

Prepayments and other receivables

Our prepayments and other receivables mainly consisted of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements, biding deposits in relation to the public biddings, deposits to secure the sales collection of car parks, storage units and retail shops, and prepayments to vendors. As at 31 December 2022, our prepayments and other receivables amounted to approximately RMB1,718.9 million, representing an increase from approximately RMB536.5 million as at 31 December 2021, which was mainly due to the growth of our business volume and more investment in property agency service business.

Financial assets at FVTPL

Financial assets at FVTPL mainly include investments in a listed entity and investments in several closed-end funds.

As at 31 December 2022, the balance of financial assets at FVTPL of the Group amounted to approximately RMB400.0 million, which was mainly due to the Group's purchase of financial assets during the year ended 31 December 2022 to provide yields for its idle funds.

Trade and bills payables

As at 31 December 2022, trade payables of the Group amounted to approximately RMB1,002.2 million, representing an increase from approximately RMB586.4 million as at 31 December 2021, which was mainly a result of the scale-up of our business, the increase of the sub-contracting cost as we continued to sub-contract certain services to third-parties to optimize our operations.

Accruals and other payables

As at 31 December 2022, our accruals and other payables was approximately RMB1,228.1 million, representing an increase from approximately RMB1,106.3 million as at 31 December 2021, which was mainly due to the increase of other payables and salaries payables, caused by the increase of our management scale and the expansion of our business.

Contract liabilities

Contract liabilities of the Group were fees paid by customers in advance for the services which had not been provided and not been recognized as revenue. As at 31 December 2022, our contract liabilities amounted to approximately RMB669.2 million, representing an increase of 12% from approximately RMB597.3 million as at 31 December 2021, which was primarily due to the increase in our GFA under management and our customer base during the year ended 31 December 2022.

Cash flows

During the year ended 31 December 2022, net cash outflow from operating activities of the Group amounted to approximately RMB1,019.7 million, while that was net cash inflow of approximately RMB837.0 million for 2021. The net cash outflow was mainly due to the increase of trade and bills receivables as well as prepayments and other receivables.

During the year ended 31 December 2022, net cash outflow from investing activities amounted to RMB983.6 million, representing a slight increase from approximately RMB917.0 million for 2021. The net cash outflow from investing activities during the year was mainly due to purchase of investment properties and financial assets at FVTPL.

Net cash outflow from financing activities amounted to approximately RMB448.5 million for 2022, while that was net cash inflow of approximately RMB908.1 million for 2021. The net cash outflow from financing activities during the year ended 31 December 2022 was mainly dividend payment.

Gearing ratio and the basis of calculation

As at 31 December 2022, the gearing ratio of the Group was 1.58% (31 December 2021: 0.03%). The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

Capital expenditure

During the year ended 31 December 2022, capital expenditure of the Group amounted to approximately RMB550.6 million (2021: RMB59.6 million). The capital expenditure was mainly used to invest in information technology systems and software as well as investment properties and transportation equipment for business operation.

Capital structure

As at 31 December 2022, the Group's cash and bank balances were held in Renminbi, Hong Kong dollar and US dollar, and the Group's borrowings were denominated in Renminbi with approximately RMB13.9 million at fixed interest and RMB62.2 million at variable interest rates.

As at 31 December 2022, equity attributable to owners of the company amounted to approximately RMB4,595.9 million, compared to approximately RMB4,443.8 million as at 31 December 2021.

Financial position of the Group remained stable. As at 31 December 2022, the Group's net current assets was approximately RMB1,836.2 million (31 December 2021: approximately RMB2,890.9 million), while the current ratio (current assets/current liabilities) of the Group was 1.6 (31 December 2021: 2.2).

Liquidity and financial resources

During the year ended 31 December 2022, the Group's principal use of cash was working capital and consideration payment for acquisition of subsidiaries, investment properties, as well as financial assets at FVTPL, which was mainly funded from cash flow from operations. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the initial public offering of the Company ("IPO") and our other fundraising activities conducted to finance some of our capital expenditures.

As at 31 December 2022, the Group's borrowings were RMB76.2 million (31 December 2021: RMB1.4 million). Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at the end of 2022.

Pledging of assets

As at 31 December 2022, the Group had pledged property, plant and equipment with carrying amounts of approximately RMB26.8 million (31 December 2021: approximately RMB2.7 million) and investment property with carrying amounts of approximately RMB193.3 million (31 December 2021: nil), respectively, to secure the balance of borrowings of approximately RMB70.2 million.

Contingent liabilities

As at 31 December 2022, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims that have arisen during our usual and ordinary course of business. The Group does not expect that such legal claims will incur any material adverse effect on our business, financial condition or operating results and has made best estimation of the liability after considering legal advice.

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings, the Group's exposure to the interest rate risk is limited to the market risk for changes in interest rates which relates primarily to bank balances and borrowings that bear floating interest rates. Our management monitors the interest rate risk and takes prudent measures to reduce the interest rate risk.

Foreign exchange risk

The principal activities of the Group are conducted in China, and a majority of the Group's income and expenses were denominated in Renminbi. Certain bank balances were denominated in Hong Kong dollars and US dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

As at 31 December 2022, the Group had 26,685 employees (31 December 2021: 16,709 employees).

Use of proceed raised from IPO

On 17 December 2018, the Shares were successfully listed on The Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds of (i) approximately HK$619.8 million from the IPO, and (ii) approximately HK$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the "**Net Proceeds**").

As stated in the prospectus of the Company dated 4 December 2018, we intended to use (i) approximately 55%, or approximately HK$375.6 million for strategic acquisition and investment; (ii) approximately 26%, or approximately HK$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers; (iii) approximately 9%, or approximately HK$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform; and (iv) approximately 10%, or approximately HK$68.3 million as for our general corporate purposes and working capital.

Further, as stated in the announcement of the Company dated 18 June 2019, the Board resolved to change the proposed use of the Net Proceeds. The unutilised Net Proceeds originally allocated for (i) acquiring property management services providers that provide community products and services complementary to our own, and (ii) for investing in property management industry funds jointly with business parties will be used for acquiring or investment in quality property management service providers that operate on a regional scale. For further details of the change in the proposed use of the Net Proceeds, please refer to the announcement of the Company dated 18 June 2019.

As at 31 December 2022, our planned use and actual use of the Net Proceeds was as follows:

	Net Proceeds						
	Percentage of Net Proceeds	Allocation of Net Proceeds (HK$ million)	Unutilised (as at 1 January 2022) (HK$ million)	Utilised during 2022 (HK$ million)	Utilised (up to 31 December 2022) (HK$ million)	Unutilised (as at 31 December 2022) (HK$ million)	Expected timeline for the unutilised Net Proceeds
To pursue strategic acquisition and investment opportunities	55%	375.6	–	–	375.6	–	N/A
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	98.3	58.5	137.8	39.8	By 31 December 2023
To develop a one-stop service community platform and our "Joy Life" (悅生活) online service platform	9%	61.5	53.7	2.0	9.8	51.7	By 31 December 2025
For general corporate purposes and working capital	10%	68.3	–	–	68.3	–	N/A
	100%	683.0	152.0	60.5	591.5	91.5	

The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

2020 Placing and 2020 Subscription

On 4 June 2020, the Company, Elite Force Development Limited and three placing agents entered into a placing and subscription agreement (the "**2020 Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development Limited on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the placing price of HK$11.78 per Share (the "**2020 Placing Price**") (the "**2020 Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 134,000,000 new Shares at the subscription price of HK$11.78 per Share (being the same as the 2020 Placing Price) (the "**2020 Subscription**").

The 2020 Placing Price of HK$11.78 per Share and represented (i) a discount of approximately 6.95% to the closing price of HK$12.66 per Share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the 2020 Placing and Subscription Agreement (the "**2020 Last Trading Day**"); (ii) a discount of approximately 3.63% to the average closing price of HK$12.22 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2020 Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK$11.85 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2020 Last Trading Day.

Completion of the 2020 Placing and the 2020 Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the 2020 Placing Price of HK$11.78 per Share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the 2020 Placing) were subscribed by Elite Force Development Limited at the subscription price of HK$11.78 per Share.

The Company received net proceeds from the 2020 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK$1,564,476,000 and intended to use the net proceeds from the 2020 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2020 Subscription was as follows:

	Net proceeds from the 2020 Subscription						
	Percentage of net proceeds	Allocation of net proceeds (HK$ million)	Unutilised (as at 1 January 2022) (HK$ million)	Utilised during 2022 (HK$ million)	Utilised (up to 31 December 2022) (HK$ million)	Unutilised (as at 31 December 2022) (HK$ million)	Expected timeline for the unutilised net proceeds
Strategic acquisition and investment opportunities	80%	1,251.6	149.2	149.2	1,251.6	—	N/A
Information technology related development	5%	78.2	78.2	—	—	78.2	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	—	—	234.7	—	N/A
	100%	1,564.5	227.4	149.2	1,486.3	78.2	

2021 Placing and 2021 Subscription

On 23 October 2021, the Company, Elite Force Development Limited and two placing agents entered into a placing and subscription agreement (the "**2021 Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development Limited on a several (but not joint nor joint and several) basis to procure purchasers, on a best effort basis, to purchase a total of 83,520,000 existing Shares at the placing price of HK$15.76 per share (the "**2021 Placing Price**") (the "**2021 Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 83,520,000 new Shares at the subscription price of HK$15.76 per share (being the same as the 2021 Placing Price) (the "**2021 Subscription**").

The 2021 Placing Price was HK$15.76 per Share and represented (i) a discount of approximately 8.80% to the closing price of HK$17.28 per Share as quoted on the Stock Exchange on 22 October 2021, being the last trading day prior to the signing of the 2021 Placing and Subscription Agreement (the "**2021 Last Trading Day**"); (ii) a discount of approximately 4.67% to the average closing price of HK$16.53 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2021 Last Trading Day; and (iii) a discount of approximately 2.60% to the average closing price of HK$16.18 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2021 Last Trading Day.

Completion of the 2021 Placing and the 2021 Subscription took place on 27 October 2021 and 1 November 2021, respectively. A total of 83,520,000 existing Shares have been successfully placed at the 2021 Placing Price of HK$15.76 per Share to no less than six (6) independent placees, and a total of 83,520,000 new Shares (equal to the number of the existing Shares successfully placed under the 2021 Placing) were subscribed by Elite Force Development Limited at the subscription price of HK$15.76 per Share.

The Company received net proceeds from the 2021 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK$1,304,000,000 and intended to use the net proceeds from the 2021 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2021 Subscription was as follows:

	Net proceeds from the 2021 Subscription						
	Percentage of net proceeds	Allocation of net proceeds (HK$ million)	Unutilised (as at 1 January 2022) (HK$ million)	Utilised during 2022 (HK$ million)	Utilised (up to 31 December 2022) (HK$ million)	Unutilised (as at 31 December 2022) (HK$ million)	Expected timeline for the unutilised net proceeds
Strategic acquisition and investment opportunities	65%	847.6	847.6	51.1	51.1	796.5	By 31 December 2025
Working capital and general corporate purposes	35%	456.4	456.4	456.4	456.4	—	N/A
	100%	1,304.0	1,304.0	507.5	507.5	796.5	

PROFILE OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. LIN Zhong (林中), aged 54, was appointed as our Director on 16 April 2018 and re-designated as our executive Director and appointed as the chairman of our Board on 25 July 2018. Mr. Lin Zhong is the chairman of the Strategy Committee and the Nomination Committee and a member of the Remuneration Committee. Mr. Lin Zhong is primarily responsible for overall strategic decisions, business planning and major operational decisions.

Prior to joining our Group, Mr. Lin Zhong has been serving as the chairman and director of the board at CIFI (PRC) since August 2000, where he is responsible for overall business planning and significant decisions in business operations. Since May 2011, he has been serving as an executive director and the chairman of the board at CIFI Holdings, where he is responsible for formulating corporate strategies, business development and overall management.

Mr. Lin Zhong was appointed as the vice chairman of Shanghai Population Welfare Foundation (上海市人口福利基金會) in 2013, the deputy chief council member of the Eighth Term of Council of Shanghai Real Estate Association (上海市房地產行業協會) and the rotating chairman of Shanghai Entrepreneur Association (新滬商聯合會) in 2014, the honorary chairman of Fujian Chamber of Commerce in Shanghai (上海市福建商會) and the chairman of Xiamen Chamber of Commerce in Shanghai (上海市廈門商會) in 2016, the vice chairman of the China Real Estate Association (中國房地產業協會) in 2018, an adjunct professor at School of Business Administration of East China Normal University and the chairman of the fourth council of Oriental Real Estate Research Institute (東方房地產研究院) in 2019, and the rotating chairman of CURA (中城聯盟) and the rotating chairman of Fukien Chamber of Commerce (福建商會) in 2021.

Mr. Lin Zhong graduated from Xiamen University (廈門大學) in the PRC in July 1990, where he obtained a bachelor degree in economics. He graduated from Cheung Kong Graduate School of Business (長江商學院) in the PRC in October 2009, where he obtained an executive master of business administration degree.

Mr. Lin Zhong is the brother of Mr. Lin Feng, our non-executive Director.

Mr. ZHOU Hongbin (周洪斌), aged 53, was appointed as our executive Director on 25 July 2018 and has been the president of our Group since he joined in December 2017. Mr. Zhou is a member of the Strategy Committee of the Company. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for overall business operations and management, major decision making and executing the decisions of our Board.

Prior to joining our Group, from July 1992 to July 1997, Mr. Zhou Hongbin served as a deputy director of finance department at CCTEG Chongqing Engineering Co., Ltd. (中煤科工集團重慶設計研究院有限公司), an institute mainly engaged in mining engineering, construction engineering and municipal construction, where he was responsible for daily financial accounting. From July 1997 to January 2003, Mr. Zhou Hongbin served as an accounting supervisor at Chongqing Longhu Properties Co., Ltd. (重慶龍湖地產發展有限公司) (formerly known as Chongqing Zhongjianke Real Estate Co., Ltd. (重慶中建科置業有限公司)), a company mainly engaged in property development and indirectly wholly owned by Longfor Group Holdings Co., Ltd. (龍湖集團控股有限公司) (formerly known as Longfor Properties Co., Ltd. (龍湖地產有限公司)) which is listed on the Stock Exchange (stock code: 0960), where he was primarily responsible for financial accounting, financial analysis and fund management. From January 2003 to August 2007, he served as a deputy general manager at Chongqing Longhu Real Estate

Development Co., Ltd. Commercial Management Branch Office (重慶龍湖地產發展有限公司商業經營管理分公司), where he was responsible for daily management, investment promotion, business development and shopping mall management. From August 2007 to December 2014, he served as the chairman of the board, general manager of the company and general manager of the property management department at Longhu Property Service Co., Ltd. (龍湖物業服務集團有限公司) and was responsible for overall management and development and property management. From January 2015 to December 2017, he served as a senior vice president at Beijing Qianding Internet Company Limited (北京千丁互聯科技有限公司), a company offering value added services to residential communities, where he was responsible for platform operations and market development.

Mr. Zhou Hongbin has served as a vice president at China Property Management Institute (中國物業管理協會) from October 2014 to May 2019, and became the honorary vice president from May 2019. He has been serving as a deputy director at China Property Management Institute Industry Development Research Center (中國物業管理協會行業發展研究中心) since March 2014.

Mr. Zhou Hongbin graduated from China University of Mining and Technology (中國礦業大學) in the PRC in July 1992, where he obtained a bachelor degree in accounting.

Mr. ZHOU Di (周迪), aged 46, was appointed as our executive Director on 30 March 2020 and has been the chief financial officer of the Company since he joined the Group on 10 May 2019. He is currently a director of several subsidiaries of the Group. Mr. Zhou is primarily responsible for the overall financial management of the Group.

Prior to joining the Group, from July 1999 to June 2001, Mr. Zhou Di worked as financial supervisor at Shanghai Xingtehao Enterprise Company Limited* (上海星特浩企業有限公司). From July 2001 to February 2008, Mr. Zhou Di joined S. B. Submarine Systems Co., Ltd., where he held the position of senior financial manager. From February 2008 to November 2016, he served as the chief financial officer for the Shanghai region at Longfor Group Holdings Limited, the shares of which are listed on the Stock Exchange (Stock code: 960). From December 2016 to July 2017, he was the deputy general manager at the financial management center of Zhenro Group Co., Ltd.* (正榮集團有限公司) (formerly known as Fujian Zhenro Group Co., Ltd.* (福建正榮集團有限公司) where he was in charge of the group's financial management. From August 2017 to May 2019, he served as the director of the management accounting department at the financial center of CIFI Holdings, the shares of which are listed on the Stock Exchange (Stock code: 884) and is one of the controlling shareholders (as defined under the Listing Rules) of the Company.

Mr. Zhou Di graduated from Hefei University of Technology (合肥工業大學) in the PRC in June 1999, where he obtained a bachelor's degree in accounting. He graduated from Shanghai University of Finance and Economics (上海財經大學) in the PRC in June 2012, where he obtained a master's degree in management. Mr. Zhou Di became a PRC certified tax agent in June 2001, a certified public accountant of the PRC in December 2005, and an associate member of the Association of International Accountants in March 2006.

NON-EXECUTIVE DIRECTOR

Mr. LIN Feng (林峰), aged 48, was appointed as our non-executive Director and the deputy chairman of our Board on 25 July 2018. Mr. Lin Feng is a member of the Strategy Committee and Audit Committee of the Company. Mr. Lin Feng is primarily responsible for provision of guidance for the overall development of our Group.

Since November 2001, Mr. Lin Feng served in various positions at CIFI (PRC) including sales director from November 2001 to June 2003, where he was responsible for market development, financial director from July 2003 to November 2008, where he was responsible for financial management and president since November 2008, where he is responsible for overall management in operation decisions. He has been serving as an executive director and the chief executive officer at CIFI Holdings since May 2011, where he is responsible for overseeing business operations and overall management.

Mr. Lin Feng is currently the vice chairman of China Real Estate Chamber of Commerce (全國工商聯房地產商會), a council member of All-China Youth Federation (中華全國青年聯合會), executive council member of Shanghai Youth Federation (上海市青年聯合會), executive council member of Shanghai Federation of Industry and Commerce (上海市工商聯合會)(Commerce Chamber), council member of Shanghai Changning District Association of Industry and Commerce (上海市長寧區工商業聯合會) (Commerce Chamber), executive council member of Shanghai Putuo District Youth Federation (上海市普陀區青年聯合會), rotating chairman of the executive council of China Urban Realty Association (中國城市房地產開發商業策略聯盟總裁聯席會) and director of CIFI Charity Foundation.

Mr. Lin Feng graduated from Xiamen University (廈門大學) in the PRC in July 1998, where he obtained a bachelor degree in economics. He graduated from University of Dundee in the United Kingdom in July 2001, where he obtained a master degree in business administration.

Mr. Lin Feng is the brother of Mr. Lin Zhong, one of the executive Directors.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. MA Yongyi (馬永義), aged 58, was appointed as our independent non-executive Director on 26 November 2018. Mr. Ma is a member of the Audit Committee, the Remuneration Committee and the Nomination Committee.

In February 2004, Mr. Ma joined Beijing National Accounting Institute (北京國家會計學院) and successively served as the director of the distance education center from February 2004 to September 2008 and the director of the administrative office from September 2008 to December 2015 and has been serving as the director of teacher management committee since January 2016.

Since April 2014, Mr. Ma has been serving as an independent supervisor at Chanjet Information Technology Company Limited (暢捷通信息技術股份有限公司), a company listed on the Stock Exchange (stock code: 1588). From April 2016 to April 2020, he served as an independent director at Zhejiang Dun'an Artificial Environmental Company Limited (浙江盾安人工環境股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002011). Since February 2018, he has been serving as an external supervisor at China Development Bank Financial Leasing Co., Ltd. (國銀金融租賃股份有限公司), a company listed on the Stock Exchange (stock code: 1606). Since March 2019 to March 2023, he served as an independent director at Piesat Information Technology Co.,Ltd. (航天宏圖信息技術股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 688066). Since April 2020, he has been serving as an independent director at Glodon Company Limited (廣聯達科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002410).

Mr. Ma graduated from the Central University of Finance and Economics (中央財經大學) (formerly known as Central College of Finance and Economics (中央財政金融學院)) in the PRC and obtained a bachelor degree of accounting in June 1989 and a doctorate degree in management in June 2003.

Mr. CHEUNG Wai Chung (張偉聰), aged 52, was appointed as our independent non-executive Director on 26 November 2018. Mr. Cheung is the chairman of the Audit Committee of the Company.

From September 1995 to January 1998, he initially served as an investment officer and then was promoted to an assistant manager II at Sun Hung Kai Real Estate Agency Ltd. (新鴻基地產代理有限公司), a wholly-owned subsidiary of Sun Hung Kai Properties Limited (新鴻基地產發展有限公司) which is listed on the Stock Exchange (stock code: 0016). From January 1998 to March 2000, he served as an assistant investment manager and then was promoted to a deputy investment manager at China Travel International Investment Hong Kong Limited (香港中旅國際投資有限公司), a company listed on the Stock Exchange (stock code: 0308). From March 2000 to April 2001, he served as a project manager at CDC Corporation (formerly known as Chinadotcom Corporation), a company mainly engaged in the provision of online information. From May 2001 to January 2009, he successively served as a research director and portfolio manager at HSZ (Hong Kong) Limited and portfolio manager at Nomura Asset Management Hong Kong Limited (野村投資管理香港有限公司), both companies are engaged in investment management. In November 2012, he joined Culturecom Enterprises Limited (文化傳信企業有限公司), a subsidiary of Culturecom Holdings Limited (文化傳信集團有限公司) which is listed on the Stock Exchange (stock code: 0343), and served as the president and chief financial officer until December 2016. Since January 2017, he has been serving as a senior consultant at RHL International Limited (永利行國際有限公司), a company mainly engaged in corporate valuation and advisory.

Mr. Cheung graduated from The Chinese University of Hong Kong in December 1992, where he obtained a bachelor (honors) degree in business administration. He has been a member and a fellow of The Association of Chartered Certified Accountants since March 1996 and March 2001, respectively, and a charter holder of Chartered Financial Analyst awarded by the Association for Investment Management and Research since November 1999. In October 2019, Mr. Cheung was awarded by the United Nation's PRI Academy Responsible Investment Essentials, an internationally recognized standard on responsible investing and Environmental, Social and Governance (ESG) qualification.

Mr. YU Tiecheng (俞鐵成), aged 47, is a senior expert in corporate mergers and acquisitions in the People's Republic of China. He is also a member of the Academic and Training Committee of Quanlian M&A Association* (全聯併購公會學術與培訓委員會) and a member of the Expert Advisory Committee of Anhui International Chamber of Commerce* (安徽省國際商會專家諮詢委員會). Mr. Yu graduated from East China Normal University (華東師範大學) with a master's degree in economics majoring in international finance in 1999. Starting from 2000, Mr. Yu served as management in various entities in the fields of finance and investment, including the deputy general manager of Shanghai Baoyin Investment Co., Ltd.* (上海保銀投資有限公司), assistant to the president of Jingfeng Investment Co., Ltd.* (景豐投資有限公司), chairman of the board of Shanghai Tiandao Investment Consultancy Co., Ltd.* (上海天道投資諮詢有限公司), general manager of Shanghai Daojie Equity Investment Management Co., Ltd.* (上海道傑股權投資管理有限公司), and partner of Shanghai Kaishi Yizheng Asset Management Co., Ltd.* (上海凱石益正資產管理有限公司). Currently, Mr. Yu is serving as the dean of Shanghai Huangpu Guanghui M&A Research Institute* (上海市黃浦廣慧並購研究院), the chairman of the board of Gongqingcheng Guanghui Jiabin Venture Capital Management Co., Ltd.* (共青城廣慧嘉賓創業投資管理有限公司), an external director of Jiangxi Provincial State-owned Enterprise Asset Management (Holding) Co., Ltd.* (江西省省屬國有企業資產經營 (控股) 有限公司) and the vice chairman of Shanghai Financial Culture Promotion Centre* (上海金融文化促進中心).

Mr. Yu has also served as director of various listed companies. Mr. Yu was an independent director of Shanghai Pudong Construction Co., Ltd. (上海浦東建設股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 600284), from May 2007 to May 2013; an independent director of Jiangsu Lianyungang Port Co., Ltd. (江蘇連雲港港口股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 601008), from December 2007 to February 2014; an independent director of Shanghai Shenda Co., Ltd (上海申達股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 600626), from May 2014 to June 2019; an independent director of Great Wall Movie & Television Co., Ltd. (長城影視股份有限公司), the shares of which was delisted from Shenzhen Stock Exchange in May 2021 (stock code: 002071), from May 2014 to April 2020; an independent director of Youon Technology Co., Ltd. (永安行科技股份有限公司), the shares of which are listed on Shanghai Stock Exchange (stock code: 603776), from November 2019 to October 2020; and an independent director of Create Technology & Science Co. Ltd. (創元科技股份有限公司), the shares of which are listed on Shenzhen Stock Exchange (stock code: 000551), from October 2015 to October 2021. From November 2017 to present, Mr. Yu is also an independent director of Shanghai Hugong Electric Group Co., Ltd. (上海滬工焊接集團股份有限公司), the shares of which are listed on the Shanghai Stock Exchange (stock code: 603131).

SENIOR MANAGEMENT

Mr. LIANG Bin (梁斌), aged 39, has been appointed as the Group's vice president since he joined the Group on 1 September 2018. Mr. Liang is primarily responsible for the Group's organizational strategy and overall management of human resources.

Prior to joining the Group, from July 2005 to May 2009, Mr. Liang joined P&G (China) Co., Ltd. as a management trainee and was promoted to the post of human resources manager. From June 2009 to September 2012, he worked as a senior human resources manager in Tencent Technology (Shenzhen) Co., Ltd. (a company listed on the Stock Exchange, stock code: 700), mainly responsible for talent recruitment and organization development. From October 2012 to September 2013, he served as assistant director of human resources at Standard Chartered Bank (China) Limited. From October 2013 to May 2016, he was the director of human resources at Shimao Real Estate Holdings Limited (a company listed on the Stock Exchange, stock code: 813). From June 2016 to June 2017, he served as the vice president of human resources of YOOZOO Interactive Co. Ltd. (a company listed on the Shenzhen Stock Exchange, stock code: 002174), responsible for human resources management. From July 2017 to August 2018, he worked for CIFI Group (a company listed on the Stock Exchange, stock code: 884) as human resources director. Mr. Liang has extensive management experience in the areas of top-level organizational strategy design, organizational change and transformation, cultivation of corporate culture system, senior talent headhunt and building talent echelon.

Mr. Liang graduated from Sun Yat-sen University in June 2005 with a bachelor of science degree.

Mr. CHEN Chuanchao (陳傳超), aged 46, was appointed as the general manager of Huadong business department of Yongsheng Property since he joined our Group on 3 March 2014 and was promoted to the Group's vice president in January 2020. Mr. Chen is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Shanghai and Shandong Province.

Prior to joining our Group, from March 1999 to March 2014, Mr. Chen worked as a manager at Shanghai Vanke Property Services Co., Ltd. (上海萬科物業服務有限公司), where he was responsible for overall project management and safety management.

Mr. Chen graduated from Central Radio and Television University (中央廣播電視大學) in the PRC in July 2011, where he obtained a diploma in law.

Mr. LUO Xinguo (駱信國), aged 41, was appointed as the Group's assistant president in January 2020 and has been the general manager of Jiangsu business department of Yongsheng Property since he joined our Group on 19 March 2013, and was promoted to the Group's vice president in January 2021. Mr. Luo is primarily responsible for the overall business operations and management of Yongsheng Property's branch offices and subsidiaries in Jiangsu Province.

Prior to joining our Group, from January 2006 to March 2009, Mr. Luo served as a project manager at Shanghai Vanke Property Services Company Limited (上海萬科物業服務有限公司). From May 2009 to October 2010, Mr. Luo served as the responsible person of Tianjin branch office at Shanghai Jingrui Property Management Company Limited Tianjin Branch Office (上海景瑞物業管理有限公司天津分公司). In June 2011, he joined Jiangsu Sunan Vanke Property Services Co., Ltd. (江蘇蘇南萬科物業服務有限公司) as a deputy manager of the quality management department until April 2012 and then served as a project manager from May 2012 to March 2013.

Mr. Luo graduated from Zhengzhou University (鄭州大學) in February 2014, where he obtained a diploma in business administration through long distance learning.

CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report for the annual report of the Company for the year ended 31 December 2022.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the CG Code. The Company has applied the principles of good corporate governance and complied with the code provisions set out in Part 2 of the CG Code during the Reporting Period.

The Company will continue to review and enhance its corporate governance practices, and identify and formalize appropriate measures and policies, to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company. Having made specific enquiries to all the Directors, all the Directors confirmed that they have strictly complied with the required standards set out in the Model Code during the Reporting Period.

The Board has also adopted the Model Code to regulate all dealings by relevant employees, including any employee or a director or employee of a subsidiary or holding company, who, because of his office or employment, are likely to be in possession of unpublished inside information of the Company in respect of securities in the Company as referred to in code provision C.1.3 of the CG Code. No incident of non-compliance with the Model Code by the Company's relevant employees has been noted during the Reporting Period after making reasonable enquiry.

THE BOARD

Responsibilities

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and performance. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established four Board Committees including the Strategy Committee, the Audit Committee, the Remuneration Committee and the Nomination Committee. The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

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

Composition of the Board

During the year ended 31 December 2022 and up to the date of this annual report, the Board comprised seven Directors, including three executive Directors, one non-executive Director and three independent non-executive Directors. Members of the Board are listed below:

Member of the Board	Position	Date of appointment
Executive Directors		
Mr. Lin Zhong	Chairman of the Board and executive Director	16 April 2018
Mr. Zhou Hongbin	Executive Director and president	25 July 2018
Mr. Zhou Di	Executive Director and chief financial officer	30 March 2020
Non-executive Director		
Mr. Lin Feng	Non-executive Director and deputy chairman of the Board	25 July 2018
Independent Non-executive Directors		
Mr. Ma Yongyi	Independent non-executive Director	26 November 2018
Mr. Cheung Wai Chung	Independent non-executive Director	26 November 2018
Mr. Yu Tiecheng	Independent non-executive Director	16 November 2021

All Directors, including non-executive Director and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning. All Directors have carried out duties in good faith and in compliance with applicable laws and regulations, and have acted in the interests of the Company and the Shareholders at all times.

Biography of each Director is set out in the section headed "Profile of Directors and Senior Management" of this annual report. Save as disclosed in the section headed "Profile of Directors and Senior Management" of this annual report, there is no financial, business, family or other material or relevant relationships among members of the Board and senior management.

Chairman and President

Mr. Lin Zhong is the chairman of the Board. According to code provision C.2.1 of the CG Code, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The division of responsibilities between the chairman and chief executive should be clearly established. Mr. Lin Zhong currently assumes the role of chairman of the Board while Mr. Zhou Hongbin, our executive Director and president, assumes the role of chief executive. The Board considers that this structure could enhance efficiency in formulation and implementation of the Company's strategies.

Independent Non-executive Directors

During the Reporting Period, the Company has three independent non-executive Directors in compliance with Rules 3.10(1) and 3.10(2) of the Listing Rules, with at least one of them possessing appropriate professional qualifications or accounting or related financial management expertise. The number of independent non-executive Directors exceeds one third of the number of the Board members.

According to Rule 3.13 of the Listing Rules, the independent non-executive Directors have made confirmations to the Company regarding their independence during the Reporting Period. Based on the confirmations of the independent non-executive Directors, the Company considers each of them to be independent during the Reporting Period.

Board Independence

The Board has established mechanisms to ensure independent views and input are available to the Board. The summary of the mechanisms is set out below:

The Board ensures the appointment of at least three independent non-executive Directors and at least one-third of its members being independent non-executive Directors (or such higher threshold as may be required by the Listing Rules from time to time). Further, independent non-executive Directors will be appointed to Board Committees as required under the Listing Rules and as far as practicable to ensure independent views and input are available.

The Nomination Committee strictly adheres to the nomination policy with regard to the nomination and appointment of independent non-executive Directors, and is mandated to assess annually the independence of independent non-executive Directors to ensure that they can continually exercise independent judgement.

No equity-based remuneration with performance-related elements will be granted to independent non-executive Directors as this may lead to bias in their decision-making and compromise their objectivity and independence.

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 advice from external professional advisers at the Company's expense.

A Director (including independent non-executive Director) who has a material interest in a contract, transaction or arrangement shall not vote or be counted in the quorum on any Board resolution or meeting approving the same.

An annual review of the implementation and effectiveness of such mechanisms would be conducted. During the year ended 31 December 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of independent Non-executive Directors. The Company has received confirmation of independence from each of the independent non-executive Directors and considers them to be independent of the management and free of any relationship that could materially interfere with the exercise of their independent judgement.

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.

Appointment and Re-election of Directors

Code provision B.2.2 of the CG Code stipulates that every director, including those appointed for a specific term, should be subject to retirement by rotation at least once every three years.

The procedures and process of appointment, re-election and removal of Directors are laid down in the Articles of Association.

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

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

Article 84 of the Articles provides that at each annual general meeting, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation and that every Director shall be subject to retirement by rotation at least once every three years. A retiring Director shall be eligible for re-election.

In accordance with the Articles of Association, any new director appointed to fill a causal vacancy shall submit himself/herself for re-election by shareholders at the first general meeting after appointment. Any director appointed as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Training and Continuous Professional Development

All the Directors namely, Mr. Lin Zhong, Mr. Zhou Hongbin, Mr. Zhou Di, Mr. Lin Feng, Mr. Ma Yongyi, Mr. Cheung Wai Chung and Mr. Yu Tiecheng, have complied with code provision C.1.4 of the CG Code and participated in continuous professional development to develop and refresh their knowledge and skills and to ensure that their contribution to the Board remains informed and relevant.

Each newly appointed Director would also be provided with necessary induction and information to ensure that he has a proper understanding of the Company's operations and businesses as well as his responsibilities under relevant statues, laws, rules and regulations.

During the Reporting Period, all the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

According to information provided by the Directors, records of training received by each director during the year ended 31 December 2022 are summarized below:

Directors	Types of Training
Mr. Lin Zhong	A
Mr. Zhou Hongbin	A,B
Mr. Zhou Di	B
Mr. Lin Feng	A
Mr. Ma Yongyi	A
Mr. Yu Tiecheng	B
Mr. Cheung Wai Chung	A,B

A *Attending briefing(s) and/or seminar(s) and/or conference(s)*

B *Reading materials relating to directors' duties and responsibilities*

Directors' Responsibility on Financial Statements

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the financial year ended 31 December 2022.

The Directors are responsible for overseeing the preparation of financial statements of the Company with a view to ensuring that such financial statements give a true and fair view of the state of affairs of the Group and relevant statutory and regulatory requirements and applicable accounting standards are complied with.

The Board has received from the senior management the management accounts and such accompanying explanation and information as are necessary to enable the Board to make an informed assessment for approving the financial statements.

As at 31 December 2022, the Board was not aware of any material uncertainties relating to events or conditions that might cast significant doubt on the Group's ability to continue as a going concern.

The responsibility of the external auditor is to form an independent opinion, based on their audit, on those consolidated financial statements prepared by the Board and to report their opinion to the Shareholders. The statements by external auditor, Prism Hong Kong and Shanghai Limited, about their reporting responsibility on the consolidated financial statements of the Group are set out in the independent auditor's report in this annual report.

Board Meetings and General Meetings

The Board holds at least four meetings a year at approximately quarterly intervals. Additional meetings would be arranged when required. Notices for all regular Board meetings will be given to all Directors at least 14 days before the meetings and the agenda and accompanying Board paper will be given to all Directors at least 3 days before the meetings in order that they have sufficient time to review the papers. Minutes of meetings are kept by the company secretary with copies circulated to all Directors or Board Committee members for information and records. Directors who have conflicts of interest in a board resolution have abstained from voting for that resolution.

Minutes of the Board meetings and Board Committee meetings are recorded in sufficient detail about the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors/Board Committee members. Draft and final versions of the minutes of each Board meeting and Board Committee meeting are sent to the Directors/Board Committee members for comments and records respectively within a reasonable time after the date on which the meeting is held. Minutes of the Board meetings are open for inspection by Directors. All Directors shall obtain information related to the Board resolutions in a comprehensive and timely manner. Any Director can seek independent professional advice at the Company's expense after making reasonable request to the Board.

The attendance record of each director at the Board meetings and the general meetings of the Company held during the year ended 31 December 2022 is set out in the table below:

	Attendance/number of meetings held		
Name of Directors	Board Meetings	Annual General Meeting	Extraordinary General Meeting
Mr. Lin Zhong	4/4	1/1	1/1
Mr. Zhou Hongbin	4/4	1/1	1/1
Mr. Zhou Di	4/4	1/1	1/1
Mr. Lin Feng	4/4	1/1	1/1
Mr. Ma Yongyi	4/4	1/1	1/1
Mr. Cheung Wai Chung	4/4	1/1	1/1
Mr. Yu Tiecheng	4/4	1/1	1/1

BOARD COMMITTEES

Audit Committee

The Audit Committee consists of one non-executive Director, namely Mr. Lin Feng and two independent non-executive Directors, namely Mr. Ma Yongyi and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee.

The primary duties of the Audit Committee include examining independently the financial positions of the Company, overseeing the Company's financial reporting system, risk management and internal control system, the audit process and proposals of internal management, communicating independently with, monitoring and verifying the work of internal audit and external auditors.

During the year ended 31 December 2022, the Audit Committee held two meetings to review annual financial results and report for the year ended 31 December 2021 and interim financial results and report for the six months ended 30 June 2022 and to review significant issues on the financial reporting and compliance procedures, internal control and the independence, scope of work and appointment of external auditor. The attendance record of the Audit Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Feng	2/2
Mr. Ma Yongyi	2/2
Mr. Cheung Wai Chung	2/2

The Audit Committee reviewed the financial reporting system, compliance procedures, internal control (including the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function), risk management systems and processes and the reappointment of the external auditor and fulfilled duties as required aforesaid. The Board had not deviated from any recommendation given by the Audit Committee on the selection, appointment, resignation or dismissal of external auditor. They also reviewed final results of the Company and its subsidiaries for the fiscal year as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit. There are proper arrangements for employees, in confidence, to raise concerns about possible improprieties in financial reporting, internal control and other matters. The written terms of reference of the Audit Committee are available on the websites of the Company and the Stock Exchange.

Remuneration Committee

The Remuneration Committee consists of one executive director, namely Mr. Lin Zhong, two independent non-executive directors, namely Mr. Ma Yongyi, and Mr. Yu Tiecheng. Mr. Yu Tiecheng is the chairman of Remuneration Committee. The primary duties of the Remuneration Committee are, among other things, to recommend the Board on the Group's remuneration policy and structure for the Directors and senior management remuneration and on the establishment of a formal and transparent procedure for developing remuneration policy, to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives, to determine, with delegated responsibility, the remuneration packages of the executive Directors and senior management, and to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules, if any.

The Remuneration Committee has adopted the model described in code provision E.1.2(c)(i) of the CG Code in its terms of reference.

During the year ended 31 December 2022, one meeting of the Remuneration Committee was held and the attendance record of the Remuneration Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Ma Yongyi	1/1
Mr. Yu Tiecheng	1/1

The Remuneration Committee discussed and reviewed the remuneration policy for Directors and senior management of the Company, determined the remuneration packages of individual executive Directors and senior management with delegated responsibility and fulfilled duties as required aforesaid.

Nomination Committee

The Nomination Committee consists of one executive director, namely Mr. Lin Zhong, two independent non-executive directors, namely Mr. Ma Yongyi, and Mr. Yu Tiecheng. Mr. Lin Zhong is the chairman of Nomination Committee.

The primary duties of the Nomination Committee are, among other things, to review the structure, size and composition of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy, to make recommendation to the Board regarding candidates to fill vacancies on the Board and/or in the management, to assess the independence of the independent non-executive Directors, and to review the Board Diversity Policy and any measurable objectives for implementing such Board Diversity Policy as may be adopted by the Board from time to time and to review the progress on achieving the objectives.

The Nomination Committee will assess the candidate or incumbent on criteria such as integrity, experience, skill and ability to commit time and effort to carry out the duties and responsibilities. The recommendations of the Nomination Committee will then be put to the Board for decision. The written terms of reference of the Nomination Committee are available on the websites of the Company and the Stock Exchange.

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

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Ma Yongyi	1/1
Mr. Yu Tiecheng	1/1

The Nomination Committee assessed the independence of independent non-executive Directors, considered the re-appointment of the retiring Directors, reviewed the time commitment required from the non-executive Director and fulfilled duties as required aforesaid.

Strategy Committee

The Strategy Committee consists of two executive directors, namely Mr. Lin Zhong and Mr. Zhou Hongbin, and one non-executive director, namely Mr. Lin Feng. Mr. Lin Zhong is the chairman of Strategy Committee.

The primary duties of the Strategy Committee are, among other things, to assist the Board in formulating and evaluating the development strategies and implementation plans of the company's medium and long-term strategic objectives; and make recommendations to the Board on material matters, material investment and financing plans.

During the year ended 31 December 2022, one meeting of the Strategy Committee was held and the attendance record of the Strategy Committee members is set out in the table below:

Name of Directors	Attendance/number of meetings held
Mr. Lin Zhong	1/1
Mr. Zhou Hongbin	1/1
Mr. Lin Feng	1/1

BOARD DIVERSITY POLICY

The Board has adopted a Board Diversity Policy in accordance with the requirements of the Listing Rules with effect from 26 November 2018 which sets out the approach to achieve diversity on the Board. The Board Diversity Policy is intended to set out the basic principles to ensure that members of the Board achieve an appropriate balance of skills, experience and perspectives to enhance the effective function of the Board and maintain a high standard of corporate governance.

Nominations and Appointments

Pursuant to the nomination policy, all Board nominations and appointments shall be based on the principle of meritocracy, daily business needs and the benefits of diversity on the Board. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board. The Nomination Committee is primarily responsible for identifying persons with suitable qualifications and selecting nominees to serve as director or to advise the Board on this.

Measureable Objectives

Selection of candidates will be based on a range of diversity and refer to the business model and specific needs of the Company, including but not limited to gender, age, ethnicity, language, cultural background, educational background, industry experience and professional experience. With regards to gender diversity on the Board, the Company recognizes the particular importance of gender diversity. Currently all the members of the Board are single gender, the Company will appoint a director of a different gender no later than 31 December 2024 to a desirable Board mix. The Company will ensure that gender diversity is taken into account when recruiting staff members of mid to senior level and ensure that sufficient resources are available for providing appropriate trainings and career development to develop a pipeline of potential successors to the Board and maintain gender diversity.

The following sets out the total workforce (including senior management) by gender of the Group as at 31 December 2022:

	Number of Employees	Percentage
Male	15,468	58.0%
Female	11,217	42.0%

The Group has made progress in past years to maintain a satisfactory gender mix. All human resources processes including recruitment, promotion, rewards and career development opportunities continue to be based on competence, knowledge, experience and merit of the employees and prospective employees, regardless of gender. To ensure diversity at workforce level, the Group has put in place appropriate recruitment and selection practices such that a diverse range of candidates with different age, gender and experiences are considered. The Group has also established talent management and training programs to provide career development guidance and promotion opportunities to develop a broad and diverse pool of skilled and experienced employees. The Company will continue to implement measures and steps to promote and enhance gender diversity at all levels.

Policy Statement

In order to achieve sustainable and balanced development, the Company regards the increment of diversification in board level as the key element to support its strategic goals and sustainable development. All appointments of the Board are based on the principle of meritocracy and considering the benefits of diversity of the Board.

Monitoring and Reporting

The Board is responsible for reviewing the Board Diversity Policy, expanding and reviewing measurable objectives to ensure the implementation of the Board Diversity Policy and to monitor progress towards measurable objectives. The Board reviews the Board Diversity Policy and measurable objectives at least annually, or at the appropriate time, to ensure the Board Diversity Policy continues to be effective. The Board has reviewed the Board Diversity Policy to ensure its effectiveness and considered that the Group achieved the Board Diversity Policy during the year ended 31 December 2022.

CORPORATE GOVERNANCE FUNCTION

The Board recognises that corporate governance should be the collective responsibility of Directors which include:

- to formulate and review the Company's policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to formulate, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and
- to review the Company's compliance with the Listing Rules and disclosure in the Corporate Governance Report.

CORPORATE CULTURE

The Company has built a scientific, complete and clear standard corporate culture system around customer needs. We uphold the mission of "Building Better Lives" and are committed to achieving the vision of "Grow into A Customer-preferred Smart City Service Brand". We ensure that our corporate culture is clearly communicated to all staff through a variety of channels, including readings, posters and storytelling. We promote "an appreciative eye, a grateful heart" in the Company, and through multiple merit ratings and timely incentives, etc., we recognize and commend culture benchmarking behaviours in a timely manner to guide our staff to practise our corporate culture and provide satisfactory and surprising services to our customers, so that customers can really get a service experience of "trouble-free, worry-free, and discontent-free".

Mission	Building Better Lives
Vision	Grow into A Customer-preferred Smart City Service Brand
Values	Let customer be trouble-free, worry-free, and discontent-free An appreciative eye, a grateful heart Happy struggle With heart and soul every day Better for ourselves than for everyone else
Operating Management Principles	Principle of Development, Principle of Service, Principle of Cooperation, Principle of Innovation, Principle of Decision-making, Principle of Authorization, Principle of Implementation, Principle of Risk Control.

COMPANY SECRETARY

Ms. Chan Yin Wah, an associate director of SWCS Corporate Services Group (Hong Kong) Limited, was appointed as the company secretary of the Company on 20 July 2021 and has taken no less than 15 hours of relevant professional training during 2022 and has complied with Rule 3.29 of the Listing Rules in relation to the professional training requirements. The primary contact person of Ms. Chan Yin Wah at the Company is Mr. Zhou Di, the executive Director and chief financial officer.

AUDITORS

The financial statements contained in this annual report have been audited by Prism Hong Kong and Shanghai Limited. The remuneration paid/payable to the external auditors (or the then external auditors, as the case may be) of the Company in respect of audit services and non-audit services is set out below:

Services rendered	Amount (RMB)
Annual audit	6,660,000
Non-audit services	800,000
Total	7,460,000

The non-audit services mainly included the review of 2022 interim results. The statement of the external auditors of the Company about its reporting responsibilities for the consolidated financial statements is set out in the independent auditors' report of this annual report on pages 80 to 86.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibilities for maintaining an adequate risk management and internal control systems to safeguard Shareholders' investments and Company's assets and with the support of the Audit Committee, reviewing the effectiveness of such systems on an annual basis.

The Group utilizes an integrated risk management system to minimize and protect against a range of strategic, business, financial and legal risks. Through our risk management system, we seek to manage and reduce risks, encourage effective and reliable communication, maintain legal compliance and improve the efficiency of our business and management. This 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.

Our risk management system is implemented on three levels. Its implementation starts with the manager of each department who is responsible for organizing the daily work in accordance with the relevant policies. The second level involves the active role of the risk management center which centralize our risk management policies and supervise the individual departments through periodic audits. Finally, the highest level involves decision-making by Board regarding certain risk management decisions. The relevant personnel at these three levels are in frequent communication in order to ensure accurate information is shared between all parties.

In order to formulate and implement effective policies, our risk management system emphasizes continuous information gathering. Our risk management system collects data on a variety of business, financial and legal risks such as market demand, technological trends and innovations, comparisons with our competitors, our financial performance and results of operation, costs of services, changes in intellectual property law, company laws and possible legal disputes.

The information gathered is used for risk assessment. Our risk assessment procedures take into account our Company's overall risk philosophy and seek to accurately evaluate how a potential risk may affect our objective in the strategic, business, compliance and financial reporting areas. We seek to identify both internal risks, such as employee ethics, our financial condition or product quality, as well as external risks, such as economic and legal developments, technology advances and environmental factors. Identified risks are assessed on the basis of likelihood of occurrence and the degree of influence it may have on our business. Risks with a high probability of occurring are more closely examined in order to ensure accurate results. We then determine what countermeasures should be implemented in order to avoid, absorb or reduce such risks and any negative consequences.

The Group has set up an internal audit department, which assists the Board and/or the Audit Committee on the ongoing review of the effectiveness of the Group's risk management and internal control systems. The risk management and internal control system are reviewed at least annually and have been carried out under the leadership of the Board and the Audit Committee and the Board has conducted a comprehensive review of the risk management and internal control system for the year ended 31 December 2022. The Board is not aware of any significant internal control and risk management weaknesses nor significant breach of limits or risk management policies. The Board, through the review of the Audit Committee, considers that the current risk management and material control systems of the Company are effective and that the qualifications and experience of the staff, performing accounting and financial reporting functions and the training programmes of the Company as well as the experiences and resources for setting the budget of the Company are adequate. The Company has complied with the requirements under code provisions D.2.1 to D.2.5 and D.3.3 of the CG Code relating to risk management and internal control.

POLICIES FOR WHISTLEBLOWING AND ANTI-CORRUPTION

The Group has established a series of internal integrity management and business management systems to regulate employee behavior, prevent corruption and fraud, and create a working atmosphere with honesty and integrity.

We have "zero tolerance" attitude for corruption, and encourage employees and any person to report concerns about any suspected or actual improprieties relating to the Group. Moreover, the Group has adopted the whistleblowing and anti-corruption policy which provides guidance to our employees on how to recognize and deal with corruption. Every employee has a duty to report any potential violations of the policy to the Company through the channels set out therein. The Group will take appropriate actions against such improprieties and, where appropriate, report the cases to the relevant enforcement authorities.

The whistleblowing and anti-corruption policy, as well as the whistleblowing channels, has been disclosed on the website of the Company, and reviewed annually to ensure its continuous effectiveness.

DISCLOSURE OF INSIDE INFORMATION

The Company has put in place an internal policy for the handling and disclosure of inside information in compliance with the SFO. The internal policy sets out the procedures and internal controls for the handling and dissemination of inside information in a timely manner and provides the Directors, senior management and relevant employees a general guide in monitoring information disclosure and responding to enquiries.

Control procedures have been implemented to ensure that unauthorized access and use of inside information are strictly prohibited.

DIVIDEND

The Company has adopted a Dividend Policy on payment of dividends. Declaration of dividends is subject to the discretion of our Directors, depending on our results of operations, cash flows, financial position, statutory and regulatory restrictions on the dividends paid by us, future prospects, as well as any other factors which our Directors may consider relevant. The Company does not have any pre-determined dividend payout ratio. The Board has absolute discretion as to whether to declare any dividend for any year, and in what amount. We are a holding company incorporated under the laws of the Cayman Islands. As a result, the payment and amount of any future dividend will also depend on the availability of dividends received from our subsidiaries. PRC laws require that dividends be paid only out of the profit for the year calculated according to PRC accounting principles, which differ in many aspects from the generally accepted accounting principles in other jurisdictions, including HKFRS. PRC laws also require foreign-invested enterprises to set aside at least 10% of its after-tax profits, if any, to fund its statutory reserves, which are not available for distribution as cash dividends.

SHAREHOLDERS' RIGHTS

To safeguard Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual Directors. All resolutions put forward at Shareholder meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Procedures for Shareholders to Convene an Extraordinary General Meeting

According to Article 58 of the Articles of Association, general meetings can be convened on the written requisition of any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company. Such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

The procedures and contact details for putting forward proposals at Shareholders' meeting

The annual general meeting and other general meetings provide an important opportunity for Shareholders to express their views and the Company encourages and promotes shareholder attendance and participation at general meetings.

The Board members, in particular, the chairman or his delegates, appropriate members of management team and external auditors of the Company will attend annual general meetings to answer Shareholders' questions.

Shareholders attending the annual general meeting and other general meetings are allowed to have a reasonable opportunity to ask questions regarding the items on the meeting agenda, including but not limiting to questions to the external auditor regarding the conduct of the audit and the preparation and content of the auditor's report.

Procedures for Shareholders to Propose a Person for Election as a Director

If a Shareholder wishes to propose a person other than a Director for election as a Director at the Company's general meeting ("**Proposal**"), he/she should lodge a written notice setting out the Proposal and his/her contact details at the principal place of business of the Company or the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited. The Proposal should include the biographical details of the proposed Director and a written notice signed by the proposed Director confirming his/her willingness to be elected, the accuracy and completeness of his/her biographical details.

The procedures by which enquires may be put to the Board and sufficient contact details to enable these enquires to be properly directed

If you have any query in connection with your shareholdings, please write to or contact the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at:

Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

Tel: (852) 2862 8555
Fax: (852) 2119 9137
Website: https://www.computershare.com

To contact the Company in relation to your query about the Company, the contact details are as follows:

Email: IR@ysservice.com.cn

SHAREHOLDERS COMMUNICATION POLICY

The Company has maintained a Shareholders communication policy which aims at promoting effective communication with the Shareholders and investors and enabling them to exercise their rights in an informed manner. It is the Company's general policy to maintain an on-going dialogue with the Shareholders. Designated contact person maintains regular communication and dialogue with the Shareholders. Enquiries from investors are dealt with in an informative and timely manner. The Company also ensures effective and timely dissemination of information to the Shareholders. As a channel to further promote effective communication, the Group has set up a website at www.cifies.com where the Company's announcements and press releases, business developments and operations, financial information, and other relevant information are posted. There are multiple channels for shareholders to communicate their views on various matters affecting the Company. In particular, Shareholders may make enquiries to the Company through the Company's investor relations by email at IR@ysservice.com.cn or directly by raising questions at general meetings. Shareholders are also welcome to send written enquiries directly to the Company at its principal place of business in Hong Kong. The Company will deal with all enquiries in a timely and appropriate manner. In view of the above, the Board considers that the Shareholders communication policy is effective during the year ended 31 December 2022.

DEED OF NON-COMPETITION BY ULTIMATE CONTROLLING SHAREHOLDERS

The Ultimate Controlling Shareholders have made an annual declaration to the Company that during the year ended 31 December 2022, he/she/it and his/her/its associates have complied with the terms of the Deed of non-Competition given in favour of the Company. Details of the Deed of Non-Competition are set out in the section headed "Relationship with the Controlling Shareholders" of the Prospectus. The independent non-executive Directors have also reviewed the status of compliance by the Ultimate Controlling Shareholders with the undertakings in the Deed of Non-Competition and as far as the independent non-executive Directors can ascertain, there is no breach of any of the undertakings in the Deed of Non-Competition.

CHANGE IN CONSTITUTIONAL DOCUMENTS

Pursuant to a special resolution passed by the Shareholders at the annual general meeting of the Company held on 7 June 2022, the Memorandum and the Articles of Association were amended and restated with effect from 7 June 2022. For details of the amendments to the Memorandum and Articles of Association and the adoption of the amended and restated Memorandum and Articles of Association, please refer to the circular of the Company dated 26 April 2022 and the poll results announcement of the Company dated 7 June 2022.

An up-to-date copy of each of the Memorandum and Articles of Association is available on the websites of the Company and the Stock Exchange.

DIRECTORS' REPORT

The Board is pleased to present the annual report together with the audited consolidated financial statements of the Group for the year ended 31 December 2022.

PRINCIPAL BUSINESS ACTIVITIES

The Company was incorporated in the Cayman Islands on 16 April 2018 as an exempted company with limited liability under the Companies Act of the Cayman Islands. The Group is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners and city services in the PRC.

The activities and particulars of the Company's subsidiaries are shown under note 28 to the consolidated financial statements in this annual report. An analysis of the Group's revenue and operating profit for the year by principal activities is set out in the section headed "Management Discussion and Analysis" in this annual report and notes 6 and 9 to the consolidated financial statements in this annual report.

RESULTS

The consolidated results of the Group for the year ended 31 December 2022 are set out on pages 87 to 93 of this annual report.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0492 per Share for the year ended 31 December 2022. The final dividend is subject to the approval of the Shareholders at the AGM and is expected to be paid on 5 December 2023 to the Shareholders whose names appear on the register of members of the Company after the close of business on 28 November 2023.

There is no arrangement that a Shareholder has waived or agreed to waive any dividend.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 15 November 2023 to 20 November 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 14 November 2023; and

(ii) from 24 November 2023 to 28 November 2023, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 p.m. on 23 November 2023.

BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year, and an indication of likely future developments in the Group's business, could be found in the sections headed "Chairman's Statement", "Management Discussion and Analysis" and "Corporate Governance Report" in this annual report. The review and discussion form part of this directors' report.

KEY RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS, SUPPLIERS AND OTHER STAKEHOLDERS

The Group is of the view that employees are the foundation for the Group's business operations and an important asset of the Group. By providing employees with an ideal working environment and opportunities for sustainable development, the Group and our employees improve and grow together. More details of our relationship with employees are set out in the section headed "Human Resources" in this annual report.

The Group maintains a good relationship with its customers and suppliers. The Group's property management services are based on the principle of customer orientation, and we strive to continuously improve and explore innovative ideas to provide customers with "satisfactory + surprising" (滿意 + 驚喜) services. We value customer feedback and has established customer complaint handling procedures to ensure customers' complaints are dealt with in a timely and effective manner. We also value collaboration with our business partners to set up sustainable supply chains and achieve win-win solution. More details could be found in the section headed "Major Suppliers and Customers" in this annual report.

The Board believes effective communication and timely information disclosure builds the Shareholders' and investors' confidence, and also facilities the flow of constructive feedback that are beneficial for investor relations and future corporate development. For more details, please refer to the section headed "Corporate Governance Report" in this annual report.

FINANCIAL SUMMARY

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five financial years is set out on page 188 of this annual report. This summary does not form part of the audited consolidated financial statements.

MAJOR SUPPLIERS AND CUSTOMERS

During the Reporting Period, the Group's largest customer, CIFI Group, accounted for 11.1% of the Group's total revenue. The Group's five largest customers accounted for 21.5% of the Group's total revenue.

During the Reporting Period, the Group's largest supplier accounted for 1.3% of the Group's total purchase. The Group's five largest suppliers accounted for 5.0% of the Group's total purchase.

For the year ended 31 December 2022, revenue derived from CIFI Group and its associates amounted to RMB942.0 million, representing approximately 15.0% of our annual revenue. Except for the above, none of the Directors or any of their close associates (as defined under the Listing Rules) or any Shareholders (which, to the best knowledge of the Directors, owns more than 5% of the Company's issued share capital) has any beneficial interest in the Group's five largest suppliers or the Group's five largest customers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group during the year ended 31 December 2022 are set out in note 14 to the consolidated financial statements in this annual report.

SHARE CAPITAL

Details of the movements in share capital of the Company during the year ended 31 December 2022 are set out in note 25 to the consolidated financial statements in this annual report.

RESERVES

Details of the movement in the reserves of the Group and of the Company during the year ended 31 December 2022 are set out in the consolidated statements of changes in equity and note 27 to the consolidated financial statements in this annual report, respectively.

DISTRIBUTABLE RESERVES

As at 31 December 2022, the Company's distributable reserves were RMB2,734.3 million.

BORROWINGS

As at 31 December 2022, the Group's borrowings were RMB76.2 million (31 December 2021: RMB1.4 million).

CHARITABLE CONTRIBUTIONS

During the year ended 31 December 2022, the Group did not make charitable contributions.

DIRECTORS

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

Executive Directors

Mr. LIN Zhong *(Chairman)*
Mr. ZHOU Hongbin *(President)*
Mr. ZHOU Di

Non-executive Director

Mr. LIN Feng *(Deputy Chairman)*

Independent Non-executive Directors

Mr. MA Yongyi
Mr. CHEUNG Wai Chung
Mr. YU Tiecheng

In accordance with article 84(1) of the Articles of Association, Mr. Zhou Hongbin, Mr. Zhou Di and Mr. Ma Yongyi shall retire by rotation, and being eligible, have offered themselves for re-election at the AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be sent to Shareholders.

BIOGRAPHICAL DETAILS OF THE DIRECTORS AND THE SENIOR MANAGEMENT

Biographical details of the Directors and the senior management of the Group as at the date of this annual report are set out on pages 34 to 39 in the section headed "Profile of Directors and Senior Management" to this annual report.

Saved as disclosed in this report, as at the date of this annual report, the Directors confirmed that no information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules from each of the independent non-executive Directors and the Company considers such Directors to be independent during the year ended 31 December 2022 and remain so as of the date of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

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

The appointments of the Directors are subject to the provisions of retirement and rotation of Directors under the Articles.

Save as disclosed above, none of the Directors has entered into any service contract with the Company or any of its subsidiaries (excluding contracts expiring or determinable by the Company within one year without payment of compensation, other than statutory compensation).

MANAGEMENT CONTRACTS

Other than the Directors' service contract and letters of appointment, no contract concerning the management and administration of the whole or any substantial part of the business of the Group was entered into or in existence as at the end of the year or at any time during the year ended 31 December 2022.

EQUITY-LINKED AGREEMENTS

No equity-linked agreements were entered into by the Group, or existed during the year ended 31 December 2022 and subsisted as at 31 December 2022.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, a permitted indemnity provision for the benefit of the Directors is currently in force and was in force throughout the financial year. The Company has purchased the Directors' and Officers' Liability Insurance to provide protection against claims arising from the lawful discharge of duties by the Directors.

COMPENSATION OF DIRECTORS AND SENIOR MANAGEMENT

The emoluments of the Directors and senior management of the Group are decided by the Remuneration Committee with delegated responsibility, having regard to the Group's operating results, individual performance and comparable market statistics.

Details of the emoluments of the Directors and the five highest paid individuals are set out in note 13 to the consolidated financial statements in this annual report.

The remuneration of the members of senior management of the Company for the year ended 31 December 2022 is set out below:

Remuneration level (RMB)	Number of persons
1,000,000 to 2,000,000	3

For the year ended 31 December 2022, no emoluments were paid by the Group to any Director or any of the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments for the year ended 31 December 2022.

Except as disclosed above, no other payments have been made or are payable, for the year ended 31 December 2022, by our Group to or on behalf of any of the Directors.

HUMAN RESOURCES

The Group had 26,685 employees as at 31 December 2022, as compared to 16,709 employees as at 31 December 2021. The Group enters into employment contracts with its employees to cover matters such as position, term of employment, wage, employee benefits and liabilities for breaches and grounds for termination.

Remuneration of the Group's employees includes basic salaries, allowances, bonus and other employee benefits, and is determined with reference to their experience, qualifications and general market conditions. The emolument policy for the employees of the Group is set up by the Board on the basis of their merit, qualification and competence.

The Group is concerned about the career development of its employees, and has developed a comprehensive training programme covering different topics such as new employee orientation and professional skills training to meet the needs of employees at different levels.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in the Mandatory Provident Fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. No forfeited contribution under this retirement benefits scheme is available to reduce the contribution payable in future years.

INTERESTS OF DIRECTORS AND CHIEF EXECUTIVE IN SECURITIES

As at 31 December 2022, the interests or short positions of the Directors and chief executive of the Company in the Shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO), which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein; or (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code, were as follows:

Interest in Shares or Underlying Shares of our Company

Name of Director	Nature of Interest	Number of ordinary shares interested[1]	Approximate percentage in the Company's issued share capital
Mr. Lin Zhong [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Mr. Lin Feng [2][3][4][5]	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Mr. Zhou Hongbin	Beneficial owner	44,695,750 (L)	2.55%
Mr. Zhou Di	Beneficial owner	118,000 (L)	0.01%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements of the Company dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is indirectly wholly owned by CIFI Holdings. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Spectron.

(4) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng, Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Best Legend.

(5) Rosy Fortune Investments Limited ("**Rosy Fortune**") is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust (Singapore) Limited ("**Standard Chartered Trust**") as the trustee of the Lin's Family Trust via SCTS Capital Pte. Ltd. ("**SCTS Capital**"). The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Rosy Fortune.

Interest in Shares or Underlying Shares of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Number of Shares	Approximate percentage of shareholding interest
Mr. LIN Zhong [(1)(2)]	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, beneficial owner and interest of his spouse	4,111,527,727	39.48%
Mr. LIN Feng [(2)(3)(4)]	CIFI Holdings	Founder of a discretionary trust, co-founder of a discretionary trust, interest in a controlled corporation and beneficial owner	2,996,025,569	28.77%
Mr. Zhou Hongbin	CIFI Holdings	Beneficial owner	630,000	0.01%
Mr. Zhou Di	CIFI Holdings	Beneficial owner	80,000	0.001%
Mr. LIN Zhong [(5)]	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Feng [(5)]	Xu Sheng	Interested in a controlled corporation	1	100%
Mr. LIN Zhong [(6)]	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Feng [(6)]	Spectron	Interested in a controlled corporation	1	100%
Mr. LIN Zhong [(7)]	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Feng [(7)]	Elite Force Development	Beneficial owner	100	100%
Mr. LIN Zhong [(8)]	Best Legend	Beneficial owner	1	100%
Mr. LIN Feng [(8)]	Best Legend	Beneficial owner	1	100%

Notes:

(1) 1,363,754,301 shares of CIFI Holdings are held by Ding Chang Limited ("**Ding Chang**"). The entire issued share capital of Ding Chang is wholly owned by Eternally Success International Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun Success Trust via SCTS Capital. The Sun Success Trust is a discretionary trust set up by Mr. Lin Zhong as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun Success Trust include certain family members of Mr. Lin Zhong. Mr. Lin Zhong as founder of the Sun Success Trust is taken to be interested in the 1,363,754,301 shares of CIFI Holdings held by Ding Chang pursuant to Part XV of the SFO.

(2) 2,737,372,105 shares of CIFI Holdings are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the 2,737,372,105 shares of CIFI Holdings held by Rosy Fortune pursuant to Part XV of the SFO.

(3) 239,487,089 shares of CIFI Holdings are held by Rain-Mountain Limited ("**Rain-Mountain**"). The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the 239,487,089 shares of CIFI Holdings held by Rain-Mountain pursuant to Part XV of the SFO.

(4) 11,882,715 shares of CIFI Holdings are held by Towin Resources Limited. Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the shares of CIFI Holdings held by Towin Resources Limited.

(5) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Xu Sheng held by CIFI Holdings.

(6) Spectron is wholly owned by Xu Sheng, which is a wholly-owned subsidiary of CIFI Holdings. By virtue of the SFO, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the shares of Spectron held by CIFI Holdings.

(7) The entire issued share capital of Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei has entered into an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Elite Force Development pursuant to Part XV of the SFO.

(8) The entire issued share capital of Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. Mr. Lin Zhong and Mr. Lin Feng are taken to be interested in the shares of Best Legend pursuant to Part XV of the SFO.

Interest in Debentures of Associated Corporation

Name of Director	Associated Corporation	Capacity/nature of interest	Principal amount of relevant debentures held	Approximate percentage of aggregate principal amount of the relevant debenture issued
Mr. LIN Zhong (1)(2)(3)(4)	CIFI Holdings	Co-founder of a discretionary trust	US$1 million	0.18%
		Co-founder of a discretionary trust	US$1 million	0.24%
		Co-founder of a discretionary trust	US$1 million	0.67%
Mr. LIN Feng(1)(2)(3)(4)(5)(6)(7)	CIFI Holdings	Founder of a discretionary trust, and interest in a controlled corporation	US$16 million	5.33%
		Co-founder of a discretionary trust	US$1 million	0.18%
		Co-founder of a discretionary trust	US$1 million	0.24%
		Co-founder of a discretionary trust	US$1 million	0.67%

Notes:

(1) The 6% senior notes (securities stock code: 40120) due 2025 with the aggregate principal amount of US$567 million were issued by CIFI Holdings in January 2020, which are listed on the Stock Exchange (the "**6% Senior Notes**"). For details of the 6% Senior Notes, please refer to the announcements of CIFI Holdings dated 8 January 2020 and 10 January 2020 respectively.

(2) The 4.375% senior notes due 2027 with the aggregate principal amount of US$419 million were issued by CIFI Holdings in January 2021, which are listed on the Stock Exchange (the "**4.375% Senior Notes**").

(3) The 4.8% senior notes due 2028 with the aggregate principal amount of US$150 million were issued by CIFI Holdings in May 2021, which are listed on the Stock Exchange (the "**4.8% Senior Notes**").

(4) The principal amounts of US$1 million of each of the 6% Senior Notes, 4.375% Senior Notes and 4.8% Senior Notes are held by Rosy Fortune. The entire issued share capital of Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong and Mr. Lin Feng. Each of Mr. Lin Zhong and Mr. Lin Feng as a co-founder of the Lin's Family Trust is taken to be interested in the principal amount of such senior notes held by Rosy Fortune pursuant to Part XV of the SFO.

(5) The senior perpetual capital securities (securities stock code: 05261) were issued by CIFI Holdings in August 2017 with the aggregate principal amount of US$300 million at a distribution rate of 5.375% per annum (the "**5.375% Perpetual Securities**"), which are listed on the Stock Exchange.

(6) Towin Resources Limited is wholly owned by Mr. Lin Feng. By virtue of the SFO, Mr. Lin Feng is taken to be interested in the principal amount of US$15 million of 5.375% Perpetual Securities held by Towin Resources Limited.

(7) The principal amount of US$1 million of 5.375% Perpetual Securities are held by Rain-Mountain. The entire issued share capital of Rain-Mountain is wholly owned by Beauty Fountain Holdings Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Sun-Mountain Trust via SCTS Capital. The Sun-Mountain Trust is a discretionary trust set up by Mr. Lin Feng as settlor and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Sun-Mountain Trust include certain family members of Mr. Lin Feng. Mr. Lin Feng as founder of the Sun-Mountain Trust is taken to be interested in the principal amount of 5.375% Perpetual Securities held by Rain-Mountain pursuant to Part XV of the SFO.

Save as disclosed above and to the best knowledge of the Directors, as at 31 December 2022, none of the Directors or the chief executive of the Company has any interests and/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 notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

ARRANGEMENTS TO PURCHASE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Reporting Period was the Company, its holding company, or any of its subsidiaries, a party to any arrangement to enable the Directors to acquire benefits by means of the acquisition of Shares in, or debt securities including debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN SECURITIES

So far as our Directors are aware, as at 31 December 2022, the following persons (other than the Directors or chief executive) had an interests or short positions in the Shares or underlying Shares as required in the register required to be kept under section 336 of the SFO:

Name of Shareholder	Nature of Interest	Number of ordinary shares interested[1]	Approximate percentage in the Company's issued share capital
Mr. LIN Wei [2][3][4][5][6]	Interest in a controlled corporation, and co-founder of a discretionary trust	819,326,250 (L)	46.84%
Elite Force Development [2]	Beneficial owner	273,180,000 (L)	15.62%
Spectron	Beneficial owner	406,820,000 (L)	23.26%
Xu Sheng [3]	Interest in a controlled corporation	406,820,000 (L)	23.26%
CIFI Holdings [4]	Interest in a controlled corporation	406,820,000 (L)	23.26%
Best Legend [5]	Beneficial owner	137,826,250 (L)	7.88%

Notes:

(1) The letter "L" denotes the person's long position in the Shares.

(2) Elite Force Development is owned as to 50% by Mr. Lin Zhong, 25% by Mr. Lin Feng and 25% by Mr. Lin Wei. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. Elite Force Development entrusted Spectron to exercise voting rights of shares directly held by Elite Force Development since 30 June 2020, while Elite Force Development continues to beneficially own the said shares and have rights to the dividends and distributions etc. attaching thereto. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018 and the announcements dated 29 May 2020 and 28 June 2020. By virtue of the SFO and based on the public information available, Mr. Lin Zhong and Mr. Lin Feng are deemed to be interested in the Shares held by Elite Force Development.

(3) Spectron is wholly owned by Xu Sheng. By virtue of the SFO, Xu Sheng is deemed to be interested in Shares held by Spectron.

(4) Xu Sheng is wholly owned by CIFI Holdings. By virtue of the SFO, CIFI Holdings is deemed to be interested in Shares held by Xu Sheng.

(5) Best Legend is wholly owned by Mr. Lin Feng. Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei signed an acting in concert deed on 6 August 2018. For details, please see "History, Reorganization and Corporate Structure" in the Prospectus dated 4 December 2018. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Best Legend.

(6) Rosy Fortune is wholly owned by Gentle Beauty Assets Limited, the entire issued share capital of which is in turn held by Standard Chartered Trust as the trustee of the Lin's Family Trust via SCTS Capital. The Lin's Family Trust is a discretionary trust set up jointly by our Ultimate Controlling Shareholders as settlors and Standard Chartered Trust as trustee on 11 May 2012. The beneficiary objects of the Lin's Family Trust include certain family members of Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. By virtue of the SFO, Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei are deemed to be interested in the Shares held by Rosy Fortune.

(7) Mr. Lin Zhong (an executive Director) is the sole director of Elite Force Development and an executive director of CIFI Holdings, and Mr. Lin Feng (a non-executive Director) is the sole director of Best Legend and an executive director of CIFI Holdings.

Save as disclosed herein, as at 31 December 2022, our Directors are not aware of any persons (other than the Directors or chief executive) who had an interests or short positions in the Shares or underlying Shares as recorded in the register required to be kept under section 336 of the SFO.

DIRECTOR'S INTEREST IN TRANSACTIONS, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than disclosed in the section headed "Connected Transactions" in this annual report and the section headed "Material Related Party Transactions" in note 30 to the consolidated financial statements contained in this annual report, no transaction, arrangement and contract of significance to the business of the Group which the Company or any of its subsidiaries was a party, and in which a Director or any entity connected with such a Director 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' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, Mr. Lin Zhong and Mr. Lin Feng, being an executive Director and the non-executive Director, respectively, were substantial shareholders of and held directorship in CIFI Holdings. In 2021, CIFI Group commenced operation of its own property management business in some projects, which was considered to be competing business for the Group. Therefore, Mr. Lin Zhong and Mr. Lin Feng were considered to have interests in competing business for the Group which were required to be disclosed pursuant to Rule 8.10(2) of the Listing Rules.

Save as disclosed above, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than being a director of the Company and/or its subsidiaries.

LOAN AND GUARANTEE

During the year ended 31 December 2022, the Group had not made any loan or provided any guarantee for loan, directly or indirectly, to the Directors, senior management of the Company, the Controlling Shareholders or their respective connected persons.

CONTINUING DISCLOSURE OBLIGATIONS PURSUANT TO THE LISTING RULES

As at 31 December 2022, the Company does not have any disclosure obligations under Rules 13.20, 13.21 and 13.22 of the Listing Rules.

CONTRACT WITH CONTROLLING SHAREHOLDERS

Other than disclosed in the section headed "Connected Transactions" in this annual report and the section headed "Material Related Party Transactions" in note 30 to the consolidated financial statements contained in this annual report, no contract of significance was entered into between the Company or any of its subsidiaries and the Controlling Shareholders or any of their subsidiaries during the year ended 31 December 2022 or subsisted at the end of the year and no contract of significance for the provision of services to the Company or any of its subsidiaries by the Controlling Shareholders or any of their subsidiaries was entered into during the year ended 31 December 2022 or subsisted at the end of the year.

CONNECTED TRANSACTIONS

During the Reporting Period, the Company has strictly complied with the requirements specified under Chapter 14A of the Listing Rules in respect of its connected transaction and continuing connected transactions. Details of the relevant connected transaction and continuing connected transactions are as follows:

Connected Transaction Subject to the Reporting and Announcement Requirements

On 30 September 2022, Yongsheng Property entered into lease agreement (the "**Lease Agreement**") with Shanghai Pingtuo Business Consulting Co., Ltd* (上海平拓商務諮詢有限公司)(the "**Lessor**") to lease certain office buildings situated in Shanghai (the "**Properties**") for a term commencing from 1 October 2022 and ending on 30 June 2025 (both days inclusive).

In accordance with HKFRS 16, the Group will recognise right-of-use assets in its consolidated statement of financial position in respect of the lease of Properties under the Lease Agreement. As the Lessor is a wholly-owned subsidiary of CIFI Holdings, who is one of the controlling shareholders of the Company, the Lessor is a connected person of the Company under Chapter 14A of the Listing Rules. The transaction contemplated under the Lease Agreement constitutes a one-off connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (other than the profits ratio) as defined under the Listing Rules in respect of the value of the right-of-use assets under the Lease Agreement exceeds 0.1% but all of which are less than 5%, the transaction contemplated under the Lease Agreement is subject to reporting and announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent Shareholders' approval requirements.

Pursuant to the Lease Agreement, the rental payable is RMB459,938 per month (tax inclusive), which is determined after arm's length negotiations between parties after taking into consideration the prevailing market rental for comparable premises in the vicinity of the Properties. In accordance with HKFRS 16, the rental payment is capital in nature and the Properties was recognised as right-of-use assets of the Group on 1 October 2022 for an amount of approximately RMB13,312,000.

The entering into of the Lease Agreement can provide the Group with more enhanced and necessary office and premises to satisfy its daily business operation needs and will also enable the Group to secure a long term premise for office use, which will enhance the operation and management effectiveness of the Group.

For details, please refer to the announcement of the Company dated 30 September 2022.

Continuing Connected Transaction Subject to the Reporting, Annual Review and Announcement Requirements

1. CIFI Sales Agency Services Framework Agreement

On 23 December 2021, the Company entered into a sales agency services framework agreement with CIFI Holdings for a term of three years commencing from 1 January 2022 to 31 December 2024 (the "CIFI Sales Agency Services Framework Agreement").

For the year ended 31 December 2022, the transaction amount in respect of the CIFI Sales Agency Services Framework Agreement amounted to approximately RMB15.8 million, which is within the annual cap of RMB75.0 million.

It is estimated that the maximum annual commission payable by CIFI Group to the Group for the sales agency services under the CIFI Sales Agency Services Framework Agreement for each of the two years ending 31 December 2024 will not exceed RMB110.0 million and RMB140.0 million, respectively.

At the relevant time, CIFI Holdings was one of our Controlling Shareholders and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the CIFI Sales Agency Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual caps under the CIFI Sales Agency Services Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the CIFI Sales Agency Services Framework Agreement and the annual caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent Shareholders' approval requirements.

2. CIFI Merchandise Procurement Framework Agreement

On 22 April 2021, the Company and CIFI Holdings entered into a merchandise procurement framework agreement (the "CIFI Merchandise Procurement Framework Agreement"), which sets out the principal terms for the provision of goods and related value-added services by the Group to CIFI Group for a term commencing from 22 April 2021 to 31 December 2023 (both dates inclusive).

For the year ended 31 December 2022, the transaction amount in respect of the CIFI Merchandise Procurement Framework Agreement amounted to approximately RMB5.4 million, which is within the annual cap of RMB110.0 million.

It is estimated that the maximum annual commission payable by CIFI Group to the Group for the merchandise procurement services under the CIFI Merchandise Procurement Framework Agreement for the year ending 31 December 2023 will not exceed RMB110.0 million.

At the relevant time, CIFI Holdings was one of our Controlling Shareholders and was therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the CIFI Merchandise Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the annual caps under the CIFI Merchandise Procurement Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the CIFI Merchandise Procurement Framework Agreement are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent Shareholders' approval requirements.

3. UCS Merchandise Procurement Framework Agreement

On 22 April 2021, the Company and the Ultimate Controlling Shareholders entered into a merchandise procurement framework agreement (the "UCS Merchandise Procurement Framework Agreement"), which sets out the principal terms for the provision of goods and related value-added services by the Group to Ultimate Controlling Shareholders and their associates (excluding CIFI Group) for a term commencing from 22 April 2021 to 31 December 2023 (both dates inclusive).

For the year ended 31 December 2022, the transaction amount in respect of the UCS Merchandise Procurement Framework Agreement amounted to approximately RMB0.3 million, which is within the annual cap of RMB40.0 million.

It is estimated that the maximum annual commission payable by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group) to the Group for the merchandise procurement services under the UCS Merchandise Procurement Framework Agreement for the year ending 31 December 2023 will not exceed RMB40.0 million.

The Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the UCS Merchandise Procurement Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Annual Caps under the UCS Merchandise Procurement Framework Agreement exceed 0.1% but less than 5%, the transactions contemplated under the UCS Merchandise Procurement Framework Agreement and the Annual Caps are subject to reporting, annual review, announcement requirements under Chapter 14A of the Listing Rules, but exempt from the circular and independent Shareholders' approval requirements.

4. Macalline Property Services Framework Agreement

On 30 November 2021, Macalline Property, an indirect non-wholly-owned subsidiary of the Company, entered into a property services framework agreement (the "**Macalline Property Services Framework Agreement**") with Red Star Macalline Group Corporation Ltd. ("**Red Star Macalline**"), pursuant to which Macalline Property and its subsidiaries (collectively the "**Macalline Property Group**") shall agree to provide to Red Star Macalline, its subsidiaries, branch companies and associates (the "**Red Star Macalline Group**") property management services for the furnishing shopping malls in the PRC which are operated by the Red Star Macalline Group and certain designated properties held by or used by the Red Star Macalline Group, including but without limitation to (i) property management services for the properties which are operated by or held by the Red Star Macalline Group; (ii) pre-delivery cleaning and house inspection services for the properties operated by the Red Star Macalline Group; and (iii) other value-added services such as additional security, cleaning, greening, as well as repair and maintenance services (the "**Macalline Property Services**") for a term commencing from 30 November 2021 to 31 December 2023.

For the year ended 31 December 2022, the transaction amount in respect of the Macalline Property Services Framework Agreement amounted to approximately RMB580.6 million, which is within the annual cap of RMB650.0 million.

It is estimated that the annual cap for the continuing connected transactions under the Macalline Property Services Framework Agreement for the year ending 31 December 2023 will not exceed RMB700.0 million.

As Red Star Macalline is the holding company of a substantial shareholder of Macalline Property, Red Star Macalline is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Macalline Property Services Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Macalline Property Services Framework Agreement are exempt from circular, independent financial advice and independent Shareholders' approval requirements.

5. Longzhihui Cleaning Service Framework Agreement

On 30 November 2021, Macalline Property entered into a cleaning services framework agreement (the "**Longzhihui Cleaning Service Framework Agreement**") with Longzhihui Shanghai Facility Management Service Co., Ltd. (the "**Longzhihui Shanghai**"), pursuant to which Macalline Property shall, in accordance with its business operation needs, entrust the Longzhihui Shanghai and its subsidiaries (the "**Longzhihui Shanghai Group**") to provide cleaning services to the Macalline Property Group, including but without limitation to (i) cleaning services with respect to all public areas, passages and elevators of the projects under the management of the Macalline Property Group; (ii) cleaning services with respect to the rooftop area, building peripheries, road surfaces in parking lots, green belts, drainage ditches and various ancillary facilities of rooftop areas, building peripheries and parking lots of the projects under the management of the Macalline Property Group; and (iii) other cleaning services required by the Macalline Property Group on an ad-hoc basis (the "**Longzhihui Cleaning Services**") for a term commencing from 30 November 2021 to 31 December 2023.

For the year ended 31 December 2022, the transaction amount in respect of the Longzhihui Cleaning Service Framework Agreement amounted to approximately RMB69.1 million, which is within the annual cap of RMB93.0 million.

It is estimated that the annual cap for the continuing connected transactions under the Longzhihui Cleaning Service Framework Agreement for the year ending 31 December 2023 will not exceed RMB105.0 million.

As Longzhihui Shanghai is a fellow subsidiary of Red Star Macalline, and Red Star Macalline is the holding company of a substantial shareholder of Macalline Property, Longzhihui Shanghai is a connected person of the Company at subsidiary level under the Listing Rules. Therefore, the transactions contemplated under the Longzhihui Cleaning Service Framework Agreement constituted continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the Longzhihui Cleaning Service Framework Agreement are exempt from circular, independent financial advice and independent Shareholders' approval requirements.

Continuing Connected Transaction Subject to the Reporting, Annual Review, Announcement and Independent Shareholders' Approval Requirements

1. CIFI Property Management Services Master Agreement

On 11 November 2019 and 5 November 2020, the Company entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "**2019 CIFI Property Management Services Master Agreement**") with CIFI Holdings, pursuant to which the Company and its subsidiaries agreed to provide to CIFI Group property management services, including but not limited to (i) preliminary planning and design consultancy services (the "**CIFI Planning Services**"); (ii) property management services for unsold properties, car parking lots and the properties owned by CIFI Group; (iii) on-site security, cleaning, greening, as well as customer services to property sales offices; and (iv) cleaning and house inspection services to the property projects developed by CIFI Group upon completion of construction and before delivery of the same to homeowners and other value-added services (scope (ii) to (iv) collectively, the "**CIFI Property Management Services**"). The 2019 CIFI Property Management Services Master Agreement has a term commencing from 1 January 2020 until 31 December 2022. On 10 October 2022, the Company entered into the Second Supplemental Property Management Services Master Agreement with CIFI Holdings, to revise the existing annual caps for the year ending 31 December 2022.

For the year ended 31 December 2022, the transaction amount for the CIFI Property Management Services amounted to approximately RMB636.5 million, which is within the annual cap of RMB785 million, meanwhile the transaction amount for the CIFI Planning Services amounted to approximately RMB37.8 million, which is also within the annual cap of RMB75.0 million.

On 10 October 2022, the Company also entered into a new property management services framework agreement with CIFI Holdings for a term of three years commencing from 1 January 2023 to 31 December 2025 (the "**2022 CIFI Property Management Services Master Agreement**").

It is estimated that the annual caps of service fee payable by CIFI Group (i) for the year ending 31 December 2023 is RMB1,000.0 million, including RMB920.0 million for the CIFI Property Management Services and RMB80.0 million for the CIFI Planning Services; (ii) for the year ending 31 December 2024 is RMB1,100.0 million, including RMB1,015.0 million for the CIFI Property Management Services and RMB85.0 million for the CIFI Planning Services; and (iii) for the year ending 31 December 2025 is RMB1,150.0 million, including RMB1,060.0 million for the CIFI Property Management Services and RMB90.0 million for the CIFI Planning Services.

CIFI Holdings, one of our Controlling Shareholders, is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions under each of the 2019 CIFI Property Management Services Master Agreement and the 2022 CIFI Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios under the Listing Rules in respect of the annual caps for each of the 2019 CIFI Property Management Services Master Agreement and the 2022 CIFI Property Management Services Master Agreement are more than 5% on an annual basis, the transactions under each of the 2019 CIFI Property Management Services Master Agreement and the 2022 CIFI Property Management Services Master Agreement are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

2. UCS Property Management Services Master Agreement

On 25 September 2020 and 5 November 2020, the Company and the Ultimate Controlling Shareholders entered into a property management services master agreement and a supplemental agreement (collectively referred to as the "**2021 UCS Property Management Services Master Agreement**"), pursuant to which the Group agreed to provide property management services, including but not limited to (i) preliminary planning and design consultancy services (the "**UCS Planning Services**"); (ii) property management services for unsold properties, car parking lots and the properties held by the Ultimate Controlling Shareholders and their associates (excluding CIFI Group); (iii) on-site securing, cleaning, greening, as well as customer services to property sales offices; and (iv) cleaning and house inspection services to the property projects developed by the associates of the Ultimate Controlling Shareholders (excluding CIFI Group) upon completion of construction and before delivery of the same to homeowners, and other value-added services (scope (ii) to (iv) collectively, the "**UCS Property Management Services**"), for a term commencing from 1 January 2021 and ending on 31 December 2023, and such associates mainly comprise the joint ventures and associated companies of CIFI Group.

For the year ended 31 December 2022, the transaction amount in respect of the UCS Property Management Services amounted to approximately RMB145.5 million, which is within the annual caps of RMB173.0 million, meanwhile the transaction amount in respect of the UCS Planning Services amounted to approximately RMB11.0 million, which is also within the annual cap of RMB27.0 million.

It is estimated that the annual caps of service fee payable by the companies controlled by the associates of the Ultimate Controlling Shareholders (except for CIFI Group) under the 2021 UCS Property Management Services Master Agreement for the year ending 31 December 2023 is RMB200.0 million, including RMB173.0 million for the UCS Property Management Services and RMB27.0 million for the UCS Planning Services.

The Ultimate Controlling Shareholders, one of the Controlling Shareholders, are connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions under the 2021 UCS Property Management Services Master Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (excluding the profit ratio) as defined in Rule 14.07 of the Listing Rules for the annual caps contemplated under the 2021 UCS Property Management Services Master Agreement exceed 5%, the continuing connected transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent Shareholders' approval requirements in accordance with Chapter 14A of the Listing Rules.

Save as disclosed above, during the year ended 31 December 2022, the Group has not entered into any continuing connected transaction which should be disclosed pursuant to the requirements of Rule 14A.71 of the Listing Rules.

The Company adjusts the scope and amount of continuing connected transactions and the annual caps exempted from disclosure (where necessary) in accordance with its internal control procedures. During the year ended 31 December 2022, the Company has followed the pricing policies and guidelines for each of the continuing connected transactions disclosed in this annual report when determining the price and terms of such transactions conducted. The Directors are of the view that the Company's internal control procedures are adequate and effective to ensure that transactions are so conducted.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the continuing connected transactions carried out during the year and confirm the transactions thereunder had been entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

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

(i) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board.

(ii) nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions were not entered into, in all material respects, in accordance with the pricing policies of the Group and the relevant agreements governing such transactions.

(iii) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to their attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual cap as set by the Company.

A copy of the auditor's letter on the continuing connected transactions of the Group for the year ended 31 December 2022 has been provided by the Company to the Stock Exchange.

MATERIAL RELATED PARTY TRANSACTIONS

Details of the material related party transactions of the Group for the year ended 31 December 2022 are set out in note 30 to the consolidated financial statements in this annual report.

Save as disclosed above, during the Reporting Period, none of the related party transactions constitutes a connected transaction or continuing connected transaction subject to independent Shareholders' approval, annual review and all disclosure requirements in Chapter 14A of the Listing Rules.

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

Pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company held on 2 June 2021, the Directors were granted a general mandate to exercise the power of the Company to buy back up to 167,040,000 Shares, representing 10% of the total number of Shares in issue as at 2 June 2021 (the "**2021 Buy-back Mandate**"). The 2021 Buy-back Mandate was expired at the conclusion of the annual general meeting of the Company held on 7 June 2022, and the Directors were thereupon granted a general mandate to buy back a maximum of 175,253,600 Shares, representing 10% of the total number of Shares in issue as at 7 June 2022 (the "**2022 Buy-back Mandate**"). During the year ended 31 December 2022, pursuant to the 2021 Buy-back Mandate and 2022 Buy-back Mandate, the Company bought back an aggregate of 4,142,000 of its Shares on the Stock Exchange at a total consideration of approximately HK$35,715,420, exclusive of commissions and other expenses.

Details of the Share buy-backs were as follows:

Date of buy-back	Number of Shares bought back	Consideration per Share		Total consideration paid for the buy-back
		Highest price paid	Lowest price paid	
		HK$	HK$	HK$
4 January 2022	370,000	11.40	11.34	4,217,160
5 January 2022	456,000	11.00	10.86	4,987,960
1 April 2022	194,000	10.20	10.16	1,977,800
7 April 2022	166,000	11.96	11.92	1,981,800
21 April 2022	190,000	10.50	10.48	1,994,600
22 April 2022	194,000	10.24	10.20	1,984,160
25 April 2022	208,000	9.56	9.55	1,987,800
29 April 2022	204,000	9.70	9.69	1,978,120
12 July 2022	500,000	7.41	7.27	3,679,080
13 July 2022	500,000	7.13	6.99	3,537,140
14 July 2022	94,000	7.02	7.01	659,820
19 July 2022	500,000	6.40	6.38	3,198,240
20 July 2022	316,000	6.39	6.37	2,015,280
21 July 2022	250,000	6.09	6.02	1,516,460
Total	4,142,000			35,715,420

A total of 1,384,000 Shares bought back by the Company on 16 September 2021, 17 December 2021, 20 December 2021, 4 January 2022 and 5 January 2022 were cancelled on 3 March 2022.

A total of 3,316,000 Shares bought back by the Company on 1 April 2022, 7 April 2022, 21 April 2022, 22 April 2022, 25 April 2022, 29 April 2022, 12 July 2022, 13 July 2022, 14 July 2022, 19 July 2022, 20 July 2022 and 21 July 2022 were cancelled on 8 December 2022.

The Board believed that the Shares was trading at a price level which does not fully reflect the underlying value of the Company. As such, depending on the market conditions and the Company's actual needs at the relevant time, the Board made such repurchases. The Board also believed that the repurchase of Shares would demonstrate the Company's confidence in its long-term business prospects, which would in turn benefit the Company and will also be in the interest of the Company and the Shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2022.

PRE-EMPTIVE RIGHTS

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

MATERIAL LEGAL PROCEEDINGS

The Group was not involved in any material legal proceeding during the year ended 31 December 2022.

SIGNIFICANT INVESTMENTS HELD

As at 31 December 2022, the Group did not hold any significant investment.

MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2022.

Fulfillment of performance targets

(a) In relation to the acquisition of Qingdao Yayuan

Reference is made to the Company's announcement dated 18 June 2019 and 20 September 2019 and the circular dated 14 August 2019 in relation to the acquisition of an aggregate of 55% equity interest in Qingdao Yayuan Property Management Company Limited* (青島雅園物業管理有限公司) ("**Qingdao Yayuan**"). According to the audited consolidated financial statements of Qingdao Yayuan for the year ended 31 December 2022, the profit guarantee for the year ended 31 December 2022, as set out in the Company's announcement dated 18 June 2019 and the circular dated 14 August 2019, has been fulfilled and no compensation has been made.

(b) In relation to the acquisition of Meizhong Environment

According to the audited consolidated financial statements of Meizhong Environment for the year ended 31 December 2022, the profit guarantee for the year ended 31 December 2022, as set out in the Company's announcement dated 30 September 2021, has been fulfilled and no compensation has been made.

(c) In relation to the acquisition of Macalline Property

According to the audited consolidated financial statements of Macalline Property for the year ended 31 December 2022, the profit guarantee for the year ended 31 December 2022, as set out in the announcement dated 15 October 2021, has been fulfilled and no compensation has been made.

FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS

As at 31 December 2022, saved as disclosed in this annual report, the Group did not have any other immediate plans for material investments and capital assets.

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.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its code of conduct regarding dealings in the securities of the Company by the Directors and the Group's senior management who, because of his/her office or employment, is likely to possess inside information in relation to the Group or the Company's securities.

Upon specific enquiry, all Directors confirmed that they have complied with the Model Code during the Reporting Period. In addition, the Company is not aware of any non-compliance of the Model Code by the senior management of the Group during the Reporting Period.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this annual report, the Company has maintained the public float as required under the Listing Rules.

CORPORATE GOVERNANCE

The Company recognises the importance of good corporate governance for enhancing the management of the Company as well as preserving the interests of the Shareholders as a whole. The Company has adopted the code provisions set out in the CG Code as its own code to govern its corporate governance practices.

In the opinion of the Directors, the Company has applied the principles of good corporate governance and complied with the code provisions set out in Part 2 of the CG Code during the Reporting Period.

The Board will continue to review and monitor the practices of the Company with an aim to maintaining a high standard of corporate governance.

Information on the corporate governance practices adopted by the Company is set out in the Corporate Governance Report on pages 40 to 55 of this annual report.

SUBSEQUENT EVENTS

Save as disclosed in (i) the announcement of the Company dated 30 March 2023 in relation to, among others, delay in publication of the annual results of the Group for the year ended 31 December 2022 and the suspension of trading of the Shares; (ii) the announcement of the Company dated 31 March 2023 in relation to the anonymous letter received by the former auditor of the Company containing various allegations to certain transactions (the "**Alleged Transactions**") conducted by the Company with CIFI Holdings; (iii) the announcement of the Company dated 16 May 2023 in relation to the change of auditors of the Company; (iv) the announcement of the Company dated 23 June 2023 in relation to, among others, the guidance on the resumption of trading in the Shares issued by the Stock Exchange (the "**Resumption Guidance**") and the Company's responses to the Alleged Transactions; (v) the announcement of the Company dated 30 June 2023 in relation to the quarterly update on status of resumption; and (vi) the announcement of the Company dated 26 September 2023 in relation to the key findings of the independent review, fulfillment of resumption guidance and resumption of trading, no other event has taken place subsequent to 31 December 2022 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates 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 PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2022 to be published on 26 October 2023.

AUDITOR

On 19 November 2020, the Board appointed Deloitte Touche Tohmatsu as the auditor of the Company with effect from 19 November 2020 to fill the casual vacancy following the resignation of BDO Limited. On 15 May 2023, the Board appointed Prism Hong Kong and Shanghai Limited as the auditor of the Company to fill the casual vacancy following the resignation of Deloitte Touche Tohmatsu and to hold office until the conclusion of the AGM. For details, please refer to the announcement of the Company dated 16 May 2023. The consolidated financial statements for the year ended 31 December 2022 have been audited by Prism Hong Kong and Shanghai Limited, Certified Public Accountants.

COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

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.

By order of the Board
LIN Zhong
Chairman

Hong Kong, 26 September 2023

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF
CIFI EVER SUNSHINE SERVICES GROUP LIMITED
旭辉永升服务集团有限公司
(incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of CIFI Ever Sunshine Services Group Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 87 to 187, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and 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 ("HKASs") 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.

OTHER MATTER

The consolidated financial statements of the Group for the year ended 31 December 2021 were audited by another auditor who expressed an unqualified opinion on those statements on 22 March 2022.

KEY AUDIT MATTERS

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

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified impairment assessment of goodwill as a key audit matter due to significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amounts of the cash-generating units to which goodwill have been allocated. As disclosed in Note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cashgenerating unit (or group of cash-generating units) to which goodwill has been allocated which is the higher of the valuein-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or group of cash-generating units) and a suitable discount rate. The Group engages independent valuers (the "Valuers") to assist the estimation. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. As disclosed in Note 16 to the consolidated financial statements, the carrying amount of goodwill was RMB1,454,656,000 as at 31 December 2022 and no impairment loss was recognised during the year ended 31 December 2022.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the management process and the key controls in impairment assessment of goodwill and the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates; • Evaluating the competency, capabilities and objectivity of the Valuers; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the historical financial performance; • Evaluating the appropriateness of pre-tax discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies; • Checking the mathematical accuracy of the VIU calculations; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of the cash-generating unit (or group of cash-generating units) to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Estimated provision of expected credit losses ("ECL") of trade and bills receivables	
We identified the estimated provision of ECL of trade and bills receivables as a key audit matter due to the significant management estimates involved in assessing the recoverability of trade and bills receivables. As disclosed in Note 4 to the consolidated financial statements, the management used provision matrix or internal credit rating individually to calculate the ECL of trade and bills receivables. For provision matrix, the provision rates are based on groupings of various debtors by their shared credit risk characteristics, and taken into consideration the historical default rates and the forward-looking information. For internal credit rating, the provision rates are assessed individually taken into consideration of the financial conditions, aging of the debtors and the forward-looking information. As disclosed in Notes 17 and 36 to the consolidated financial statements, the carrying amount of trade and bills receivables was RMB1,771,724,000 as at 31 December 2022, after net off the allowance for credit losses of RMB229,909,000, and allowance for credit losses of RMB124,387,000 was recognised in profit or loss for the year ended 31 December 2022.	Our procedures in relation to the estimated provision of ECL of trade and bills receivables included: • Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by the management; • For ECL calculated by provision matrix: (i) evaluating the appropriateness of the group of the trade and bills receivables based on shared credit risk characteristics; and (ii) testing the integrity of information used by the management to develop the provision matrix, on a sample basis, to the source documents and evaluating the appropriateness of the expected credit loss rates applied by reference to historical default rates; • For ECL calculated by internal credit rating, testing the integrity of the information used by the management on a sample basis to the source documents and evaluating the appropriateness of the expected credit loss rates applied by reference to the historical payment records and financial conditions of the debtors; • Checking the mathematical accuracy of the ECL calculations; and • Evaluating the reasonableness of forward- looking information used by the management by reference to available market information.

Key audit matter	How our audit addressed the key audit matter
Estimated provision of ECL of deposits for exclusive sales representative agreements	
We identified the estimated provision of ECL of deposits for exclusive sales representative agreements as a key audit matter due to the significant management estimates involved in assessing their recoverability. As disclosed in Note 36 to the consolidated financial statements, the management made periodic individual assessment on the recoverability of deposits for exclusive sales representative agreements based on historical settlement records, past experience and also quantitative and qualitative information that is reasonable and supportive forward-looking information. As disclosed in Note 36 to the consolidated financial statements, the carrying amount of deposits for exclusive sales representative agreements was RMB1,227,650,000 as at 31 December 2022, after net off the allowance for credit losses of RMB37,969,000, and allowance for credit losses of RMB33,127,000 was recognised in profit or loss for the year ended 31 December 2022.	Our procedures in relation to the estimated provision of ECL of deposits: • Obtaining an understanding of the management process and the key controls in ECL assessment and assumptions made in determining the default rates for ECL assessment and evaluating the reasonableness of any quantitative, qualitative and forward-looking information incorporated by the management; • Evaluating the appropriateness of the expected loss rates applied by reference to financial conditions and past settlement history of the debtors; • Evaluating the reasonableness of forward-looking information used by the management by reference to available market information; and • Checking the mathematical accuracy of the ECL calculations.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE 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 are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible 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 solely to you, as a body, in accordance with our agreed terms of engagement, 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.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism 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.

We communicate with those charged with governance 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 those charged with governance 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 those charged with governance, we determine the 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 the independent auditor' report is Mr. Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountant
Lee Kwok Lun
Practising Certificate Number, P06294.
HONG KONG
26 September 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022	2021
		RMB'000	RMB'000
Revenue	6	6,276,479	4,702,816
Cost of services		(4,983,196)	(3,402,951)
Gross profit		1,293,283	1,299,865
Other income and other gains and losses	7	175,476	122,196
Administrative expenses		(463,531)	(382,121)
Selling expenses		(100,078)	(82,799)
Expected credit loss on financial assets	9	(157,424)	(62,220)
Finance costs	8	(4,014)	(3,486)
Other expenses		(2,758)	(22)
Profit before taxation	9	740,954	891,413
Income tax expense	10	(165,062)	(198,878)
Profit and total comprehensive income for the year		575,892	692,535
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		480,111	617,014
Non-controlling interests	29	95,781	75,521
		575,892	692,535
Earnings per share (RMB)			
Basic earnings per share	12	0.2742	0.3663

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Notes	2022	2021
		RMB'000	RMB'000
Non-current assets			
Property, plant and equipment	14	129,708	112,264
Investment properties	15	556,684	58,970
Intangible assets	16	354,196	371,687
Goodwill	16	1,454,656	1,343,707
Deferred tax assets	24	68,134	38,196
Prepayments and other receivables	18	204,456	367
Financial assets at fair value through profit or loss ("FVTPL")	19	384,440	—
Deferred contract costs		10,893	12,663
		3,163,167	1,937,854
Current assets			
Inventories		2,985	3,549
Deferred contract costs		11,561	4,474
Trade and bills receivables	17	1,771,724	788,316
Prepayments and other receivables	18	1,514,438	536,134
Financial assets at FVTPL	19	15,590	—
Restricted cash	20	29,288	11,119
Cash and cash equivalents	20	1,534,374	3,985,046
		4,879,960	5,328,638
Current liabilities			
Trade and bills payables	21	1,002,163	586,364
Accruals and other payables	22	1,228,129	1,106,347
Borrowings	23	28,106	1,400
Contract liabilities	6	669,185	597,347
Lease liabilities	31	11,219	11,250
Provision for taxation		104,932	135,072
		3,043,734	2,437,780
Net current assets		1,836,226	2,890,858
Total assets less current liabilities		4,999,393	4,828,712

	Notes	2022	2021
		RMB'000	RMB'000
Non-current liabilities			
Borrowings	23	48,057	—
Lease liabilities	31	14,943	9,179
Other long-term payables	22	13,174	20,787
Deferred tax liabilities	24	90,565	107,008
		166,739	136,974
Net assets		4,832,654	4,691,738
Capital and reserves			
Share capital	25	15,480	15,519
Reserves		4,580,467	4,428,294
Equity attributable to owners of the Company		4,595,947	4,443,813
Non-controlling interests	29	236,707	247,925
Total equity		4,832,654	4,691,738

The consolidated financial statements on pages 87 to 187 were approved and authorised for issue by the board of directors on 26 September 2023 and are signed on its behalf by:

Mr. Lin Zhong	**Mr. Zhou Hongbin**
Director	*Director*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2022

		Reserves								
	Share capital	Treasury shares	Share premium	Capital reserve	Other reserve	Statutory reserve	Retained earnings	Equity attributable to owners of the Company	Non-controlling interests	Total equity
	RMB'000 Note 25	RMB'000	RMB'000 note (a)	RMB'000	RMB'000 note (b)	RMB'000 note (c)	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	14,830	–	2,173,296	26,799	(117,600)	101,553	694,556	2,893,434	124,001	3,017,435
Profit and total comprehensive income for the year	–	–	–	–	–	–	617,014	617,014	75,521	692,535
Transfer to statutory reserve	–	–	–	–	–	28,162	(28,162)	–	–	–
Repurchase of shares (note d)	–	(5,714)	–	–	–	–	–	(5,714)	–	(5,714)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	70,940	70,940
Transactions with non-controlling shareholders (note e)	–	–	–	–	(20,202)	–	–	(20,202)	(12,468)	(32,670)
Dividends recognised as distribution (Note 11)	–	–	(117,228)	–	–	–	–	(117,228)	–	(117,228)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(51,787)	(51,787)
Acquisition of subsidiaries (Note 26)	–	–	–	–	–	–	–	–	41,718	41,718
Placement of shares (Note 25)	689	–	1,085,462	–	–	–	–	1,086,151	–	1,086,151
Transaction cost attributable to the issue of new shares (Note 25)	–	–	(9,642)	–	–	–	–	(9,642)	–	(9,642)
At 31 December 2021 and 1 January 2022	15,519	(5,714)	3,131,888	26,799	(137,802)	129,715	1,283,408	4,443,813	247,925	4,691,738
Profit and total comprehensive income for the year	–	–	–	–	–	–	480,111	480,111	95,781	575,892
Transfer to statutory reserve	–	–	–	–	–	47,837	(47,837)	–	–	–
Repurchase and cancellation of shares (note d)	(39)	5,714	(35,534)	–	–	–	–	(29,859)	–	(29,859)
Capital contribution from non-controlling shareholders	–	–	–	–	–	–	–	–	2,283	2,283
Dividends recognised as distribution (Note 11)	–	–	(298,118)	–	–	–	–	(298,118)	–	(298,118)
Dividend paid to non-controlling shareholders	–	–	–	–	–	–	–	–	(109,282)	(109,282)
At 31 December 2022	15,480	–	2,798,236	26,799	(137,802)	177,552	1,715,682	4,595,947	236,707	4,832,654

Notes:

(a) Share premium account of the Company represents the excess of the proceeds received over the nominal value of the Company's share issued.

(b) Other reserve represents (i) the difference between the nominal amount of the share capital of Shanghai Yongsheng Property Management Co. Ltd. ("Yongsheng Property") and nominal amount of the share capital issued by the Company pursuant to a group reorganisation completed on 6 July 2018; and (ii) the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received from changes in the Group's ownership interests in subsidiaries that do not result in change in control over those subsidiaries.

(c) Statutory reserve represents the amount transferred from net profit for the year of the subsidiaries established in the People's Republic of China (the "PRC") (based on the subsidiaries' PRC statutory financial statements) in accordance with the relevant PRC laws until the statutory reserve reaches 50% of the registered capital of the subsidiaries. The statutory reserve cannot be reduced except either in setting off the accumulated losses or increasing capital.

(d) During the year ended 31 December 2022, the Company has repurchased its own ordinary shares in aggregate of 4,142,000 (2021: 558,000) shares and cancelled 4,700,000 (2021:Nil) shares.

(e) In November 2021, the Group underwent a restructuring of the shareholding of Shanghai Xingyue Property Services Co., Ltd ("Shanghai Xingyue") by the means of acquisition of the entire interests in Shanghai Xingyue by a non-wholly owned subsidiary. After the restructuring, the effective interest in Shanghai Xingyue was reduced from 90.01% to 80%. Such transaction is accounted as an equity transaction and the difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid is recorded in other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022	2021
	RMB'000	RMB'000
Cash flows from operating activities		
Profit before taxation	740,954	891,413
Adjustments for:		
Depreciation of property, plant and equipment	42,859	32,974
Amortisation of intangible assets	50,452	40,464
Expected credit loss of trade and bills receivables	124,387	56,141
Expected credit loss of deposits and other receivables	33,037	6,079
Bank interest income	(20,366)	(39,653)
Interest on other payable	1,885	2,264
Interest on borrowings	1,302	9
Interest on lease liabilities	827	1,213
Loss (gain) on disposal of property, plant and equipment	170	(43)
Gain from fair value changes of investment properties	(1,225)	(6,763)
Gain from fair value changes of financial assets at FVTPL	(115,036)	(54,484)
Exchange loss	10,817	17,606
Operating cash flows before working capital changes	870,063	947,220
Decease (increase) in inventories	568	(1,779)
Increase in deferred contract costs	(5,317)	(17,137)
Increase in trade and bills receivables	(1,098,857)	(329,729)
Increase in prepayments and other receivables	(1,019,611)	(226,241)
Increase in financial assets at FVTPL	(24,540)	—
Increase in restricted cash	(18,169)	(4,246)
Increase in trade and bills payables	385,512	190,969
Increase in accruals and other payables	87,787	294,587
Increase in contract liabilities	50,375	193,471
Cash (used in) generated from operations	(772,189)	1,047,115
Income tax paid	(247,528)	(210,107)
Net cash (used in) from operating activities	(1,019,717)	837,008

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 RMB'000	2021 RMB'000
Cash flows from investing activities		
Prepayment of property, plant and equipment	(400)	(106)
Purchase of property, plant and equipment	(34,500)	(36,528)
Purchase of investment properties	(111,143)	—
Purchase of intangible assets	(11,541)	(22,980)
Disposal of other financial assets	—	30,000
Deposit paid for potential acquisition of subsidiaries	(258,124)	(100,000)
Refund of deposit paid for potential acquisition of subsidiaries	200,000	100,000
Acquisition of subsidiaries, net of cash acquired	(413,013)	(980,485)
Payment for consideration payables	(4,503)	(4,195)
Proceed from disposal of property, plant and equipment	3,116	249
Proceed from disposal of investment properties	8,058	2,912
Bank interest income received	21,365	39,653
Purchase of financial assets at FVTPL	(5,400,120)	(3,303,500)
Proceed from disposal of financial assets at FVTPL	5,139,666	3,357,984
Prepayment of purchase of financial assets at FVTPL	(122,470)	—
Net cash used in investing activities	(983,609)	(916,996)
Cash flows from financing activities		
Capital contribution from non-controlling shareholders	2,283	70,940
Consideration paid to non-controlling interests for change in interest in a subsidiary	—	(32,670)
Repayment of borrowings	(31,133)	(6,203)
New borrowings raised	46,126	—
Payment of other payables	(4,688)	(4,630)
Proceed from issue of shares	—	1,086,151
Payment of transaction cost attributable to issue of shares	—	(9,642)
Payments on repurchase of shares	(29,859)	(5,714)
Interest on other payables paid	(228)	(312)
Interest on borrowings paid	(1,302)	(9)
Interest on lease liabilities paid	(827)	(1,213)
Payment of lease liabilities	(14,068)	(15,330)
Dividend payment to its former shareholder of a subsidiary	—	(6,840)
Dividends paid	(414,760)	(166,435)
Net cash (used in) from financing activities	(448,456)	908,093
Net (decrease) increase in cash and cash equivalents	(2,451,782)	828,105
Effect of exchange rate changes on cash and cash equivalents	1,110	(13,648)
Cash and cash equivalents at beginning of the year	3,985,046	3,170,589
Cash and cash equivalents at end of the year, represented by		
Bank balances, deposits and cash	1,534,374	3,985,046

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2022

1. GENERAL INFORMATION

CIFI Ever Sunshine Services Group Limited (the "Company") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). Its ultimate controlling parties are Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. Upon completion of sales and purchase of the Company's share and execution of voting right entrustment agreement between the shareholders of the Company on 30 June 2020, Spectron Enterprises Limited (incorporated in the British Virgin Islands (the "BVI")) became the immediate holding company of the Company and CIFI Holdings (Group) Co. Ltd. (incorporated in the Cayman Islands with its shares listed on the Stock Exchange) became the ultimate holding company of the Company. The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its principal subsidiaries are set out in Note 28.

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

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to HKAS 16	Property, Plant and Equipment - Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts - Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018-2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (CONTINUED)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
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 a date to be determined.
3 Effective for annual periods beginning on or after 1 January 2024.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of preparation of consolidated financial statements (continued)

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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.

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs are to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that at initial recognition the results of the valuation technique equals the transaction price.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

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 listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of the other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

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

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to investment properties which are subsequently measured under fair value model and financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations or asset acquisitions (continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the "Conceptual Framework for Financial Reporting 2018" issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets" or HK(IFRIC)-Int 21 "Levies", in which the Group applies HKAS 37 or HK(IFRIC)- Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 at the acquisition date;
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Basis of consolidation (continued)

Business combinations or asset acquisitions (continued)

Business combinations (continued)

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Property management services

For property management services, 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 services income from properties managed under lump sum basis, where the Group acts as principal and is primary 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 services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by pre-determined percentage or fixed amount of the property service fees the property owners are obligated to pay. The Group recognises the fee received or receivables from property management offices of residential communities as its revenue and all related property management costs as its cost of services.

Revenue from property management services (both under lump sum basis and commission basis) is recognised over time in the accounting period which services are rendered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Community value-added services

For community value-added services, revenue is recognised when the related community value-added services are rendered. Payment of the transaction is normally due immediately when the community value-added services are rendered to the customer.

Revenue from community value-added services is recognised over time except sales and property agency services, which are recognised at a point of time when performance obligations are satisfied.

Value-added services to non-property owners

Value-added services to non-property owners mainly includes preliminary planning and design consultancy and construction services to property developers or other property management service providers and cleaning, security, greening and repair and maintenance services to property developers at the pre-delivery stage. Other than construction services, 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. Revenue is recognised for construction services based on the stage of completion of the contract using input method.

Revenue from value-added services to non-property owners is recognised over time in the accounting period which services are rendered.

City services

For city services, 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.

City services mainly include sanitation and cleaning services, revenue from city services is recognised over time in the accounting period which services are rendered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (multiple community value-added services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

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

As a practical expedient, if the Group has a right to consideration in an amount that corresponds directly with the value of the Group's performance completed to date (for example, service contracts in which the Group bills a fixed amount for services provided on a monthly basis), the Group recognises revenue in the amount to which the Group has the right to invoice.

Input method

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Revenue from contracts with customers (continued)

Principal versus agent

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

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

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

Costs to fulfil a contract

The Group incurs costs to fulfil a contract in its property management services contracts. The Group first assesses whether these costs qualify for recognition as an asset in terms of other relevant standards, failing which it recognises an asset for these costs only if they meet all of the following criteria:

(a) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify;

(b) the costs generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and

(c) the costs are expected to be recovered.

The asset so recognised is subsequently amortised to profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the assets relate. The asset is subject to impairment review.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases

Definition of 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.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group applies practical expedient not to separate non-lease components from lease component, and instead account for the lease component and any associated non-lease components as a single lease component.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of staff quarters and offices that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets in "property, plant and equipment", the same line item within which the corresponding underlying assets would be presented if they were owned.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 "Financial Instruments" and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments represents fixed payments less any lease incentives receivable.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item in the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Rental income which are derived from the Group's ordinary course of business are presented as "revenue".

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Sale and leaseback transactions

The Group applies the requirements of HKFRS 15 "Revenue from Contracts with Customers" to assess whether sale and leaseback transaction constitutes a sale by the Group.

The Group as a seller-lessee

For a transfer that does not satisfy the requirements as a sale, the Group as a seller-lessee continues to recognise the assets and accounts for the transfer proceeds as borrowings within the scope of HKFRS 9.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchanges prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. When a fair value gain or loss on a non-monetary item is recognised in profit or loss, any exchange component of that gain or loss is also recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs that are not directly attributable to the acquisition, construction or production of qualifying assets are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Government grants relating to compensation of expenses are deducted from the related expenses, other government grants are presented under "other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Employee benefits

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions. Payments made to state-managed retirement benefit schemes are dealt with as payments to defined contribution plans where the Group's obligations under the schemes are equivalent to those arising in a defined contribution retirement benefit plan.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries) after deducting any amount already paid.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred taxation liabilities and deferred taxation assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale, except for freehold land, which is always presumed to be recovered entirely through sale.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Taxation (continued)

Current and deferred taxation are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred taxation are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes. Property, plant and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as "buildings".

Depreciation is recognised so as to write off the cost of items of property, plant and equipment less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair values, adjusted to exclude any prepaid or accrued operating lease income.

Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

Internally-generated intangible assets - research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Intangible assets (continued)

Internally-generated intangible assets - research and development expenditure (continued)

- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets that are acquired separately.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets acquired in a business combination with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, contract costs and intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, contract costs and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss (if any).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, contract costs and intangible assets other than goodwill (continued)

The recoverable amount of property, plant and equipment, contract costs and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Before the Group recognises an impairment loss for assets capitalised as contract costs under HKFRS 15, the Group assesses and recognises any impairment loss on other assets related to the relevant contracts in accordance with applicable standards. Then, impairment loss, if any, for assets capitalised as contract costs is recognised to the extent the carrying amounts exceeds the remaining amount of consideration that the Group expects to receive in exchange for related goods or services less the costs which relate directly to providing those goods or services that have not been recognised as expenses. The assets capitalised as contract costs are then included in the carrying amount of the cash-generating unit to which they belong for the purpose of evaluating impairment of that cash-generating unit.

Recoverable amount is the higher of fair value less costs of disposal and value in use. 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 (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Impairment on property, plant and equipment, contract costs and intangible assets other than goodwill (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of bank balances, deposits and cash as defined above.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first-out method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers, which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that is required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the "Other income and other gains and losses" line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and bills receivables, deposits and other receivables, restricted cash, bank balances and deposits) which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade and bills receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings, except for amounts due from fellow subsidiaries and certain related parties which are assessed individually using internal credit rating.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on account receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest date determined at initial recognition.

Lifetime ECL for certain trade and bills receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

(v) Measurement and recognition of ECL (continued)

The grouping is regularly reviewed by the management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade and bills receivables, and deposits and other receivables, where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the group entities are recorded at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities of the Group (including borrowings, trade and bills payables and other payables) are subsequently measured at amortised cost using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

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

(i) Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less costs of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and pre-tax discount rates. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of pre-tax discount rates, a material impairment loss or further impairment loss may arise.

As at 31 December 2022, the carrying amount of goodwill is RMB1,454,656,000 (2021: RMB1,343,707,000). Details of the recoverable amount calculation are disclosed in Note 16.

(ii) Provision of ECL for trade and bills receivables

The Group uses provision matrix or internal credit ratings individually to calculate ECL for the trade and bills receivables.

For provision matrix, the provision rates are based on groupings of various debtors by their shared credit risk characteristics and taking into consideration the historical default rates and the forward-looking information that is reasonable and supportable available without undue costs or effort. For internal credit rating, the provision rates are assessed individually taken into consideration of the financial conditions, aging of the debtors and the forward-looking information that is reasonable and supportable available without undue costs or effort.

At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade and bills receivables are disclosed in Notes 17 and 36.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(iii) Provision of ECL for deposits for exclusive sales representative agreements

The Group uses internal credit ratings individually to calculate ECL for deposits for exclusive sales representative agreements.

The provision rates are based on the historical settlement records, past experience and the forward-looking information that is reasonable and supportable available without undue costs or effort.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's deposits for exclusive sales representative agreements are disclosed in Notes 18 and 36.

(iv) Valuation of investment properties

Investment properties of RMB556,684,000 (2021: RMB58,970,000) are stated at fair value based on the valuations performed by independent qualified professional valuers. In determining the fair values, the valuers have based on a method of valuation which involves certain unobservable inputs used in the valuations as set out in Note 15.

In relying on the valuation report, the directors of the Company have exercised their judgements and are satisfied that the assumptions used in the valuation are reflective of the current market conditions. Changes to these assumptions would result in changes in the fair values of the Group's investment properties and the corresponding adjustments to the amount of gain or loss reported in the consolidated statement of profit or loss and other comprehensive income.

5. SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Information about major customers

For the year ended 31 December 2022, revenue from CIFI Holdings (Group) Co. Ltd., and its subsidiaries (the "CIFI Group") contributed 11.1% (2021: 11.4%) of the Group's revenue. Other than the CIFI Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: None).

Information about geographical areas

The major operating entity of the Group is domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC for the year ended 31 December 2022 (2021: All).

As at 31 December 2022, all of the non-current assets were located in the PRC (2021: All).

6. REVENUE

Revenue mainly comprises of proceeds from property management services, community value-added services, value-added services to non-property owners and city services. An analysis of the Group's revenue by category was as follows:

	2022	2021
	RMB'000	RMB'000
Revenue from contracts with customers	6,275,653	4,701,850
Others	826	966
Total	6,276,479	4,702,816

6. REVENUE (CONTINUED)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

	Property management services	Community value-added services	Value-added services to non-property owners	City services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services					
Property management services					
Lump sum basis	3,883,195	—	—	—	3,883,195
Commission basis	4,616	—	—	—	4,616
	3,887,811	—	—	—	3,887,811
Community value-added services					
Home-living services	—	606,561	—	—	606,561
Parking unit management and leasing services	—	131,771	—	—	131,771
Property agency services	—	170,658	—	—	170,658
Common area value-added services	—	111,073	—	—	111,073
	—	1,020,063	—	—	1,020,063
Value-added services to non-property owners					
Sales assistance services	—	—	334,013	—	334,013
Additional tailored services	—	—	394,321	—	394,321
Preliminary planning and design consultancy services	—	—	70,095	—	70,095
Housing repair services	—	—	121,203	—	121,203
Pre-delivery inspection services	—	—	44,797	—	44,797
	—	—	964,429	—	964,429
City services	—	—	—	403,350	403,350
	3,887,811	1,020,063	964,429	403,350	6,275,653
Timing of revenue recognition					
A point in time	—	312,167	—	—	312,167
Over time	3,887,811	707,896	964,429	403,350	5,963,486
	3,887,811	1,020,063	964,429	403,350	6,275,653

6. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2021

	Property management services	Community value-added services	Value-added services to non-property owners	City services	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Types of goods and services					
Property management services					
Lump sum basis	2,651,157	—	—	—	2,651,157
Commission basis	3,268	—	—	—	3,268
	2,654,425	—	—	—	2,654,425
Community value-added services					
Home-living services	—	570,044	—	—	570,044
Parking unit management and leasing services	—	124,176	—	—	124,176
Property agency services	—	321,913	—	—	321,913
Common area value-added services	—	83,351	—	—	83,351
	—	1,099,484	—	—	1,099,484
Value-added services to non-property owners					
Sales assistance services	—	—	353,668	—	353,668
Additional tailored services	—	—	310,021	—	310,021
Preliminary planning and design consultancy services	—	—	96,961	—	96,961
Housing repair services	—	—	67,437	—	67,437
Pre-delivery inspection services	—	—	39,275	—	39,275
	—	—	867,362	—	867,362
City services	—	—	—	80,579	80,579
	2,654,425	1,099,484	867,362	80,579	4,701,850
Timing of revenue recognition					
A point in time	—	431,445	21,513	—	452,958
Over time	2,654,425	668,039	845,849	80,579	4,248,892
	2,654,425	1,099,484	867,362	80,579	4,701,850

6. REVENUE (CONTINUED)

Revenue from contracts with customers (continued)

(b) Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for property management services and city services are usually long term and the Group bills a fixed amount for service provided regularly. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Community value-added services and value-added services to non-property owners are for periods usually less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(c) Details of contract liabilities

The Group has recognised the following revenue-related contract liabilities:

	2022	2021
	RMB'000	RMB'000
Contract liabilities	669,185	597,347

As at 1 January 2021, contract liabilities amounted to RMB387,825,000.

(i) Significant changes in contract liabilities

Contract liabilities of the Group arise from the advance payments made by customers while the property management services or value-added services are yet to be provided. Such liabilities increase as a result of the growth of the Group's business and acquisition of subsidiaries.

(ii) Revenue recognised in relation to contract liabilities

The following table shows how much of the revenue recognised in the current reporting period relates to carried-forward contract liabilities.

	2022	2021
	RMB'000	RMB'000
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	587,966	363,125

7. OTHER INCOME AND OTHER GAINS AND LOSSES

	2022 RMB'000	2021 RMB'000
Other income		
– Bank interest income	20,366	39,653
– Government grants (note)	44,903	35,438
	65,269	75,091
Other gains and losses		
– Net foreign exchange loss	(10,817)	(17,606)
– (Loss) gain on disposal of property, plant and equipment	(170)	43
– Gain from fair value changes of investment properties	1,225	6,763
– Gain from fair value changes of financial assets at FVTPL	115,036	54,484
– Others	4,933	3,421
	110,207	47,105
	175,476	122,196

Note: Government grants represented unconditional cash payments granted by government authorities.

8. FINANCE COSTS

	2022 RMB'000	2021 RMB'000
Interest on borrowings	1,302	9
Interest on other payables	1,885	2,264
Interest on lease liabilities	827	1,213
	4,014	3,486

9. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging the following:

	2022	2021
	RMB'000	RMB'000
Depreciation of property, plant and equipment	42,859	32,974
Amortisation of intangible assets	50,452	40,464
Amortisation of contract costs	10,876	3,317
Auditor's remuneration	3,180	2,950
Expected credit loss on trade and bills receivables	124,387	56,141
Expected credit loss on deposits and other receivables	33,037	6,079
Expected credit loss on financial assets	157,424	62,220
Expense relating to short-term leases		
– rented premises	12,350	15,327
Expense relating to leases of low-value assets		
– furniture and machinery	573	626
Staff costs (including directors' emoluments - Note 13):		
Salaries, wages and other benefits	1,817,799	1,188,747
Bonus	149,133	145,710
Retirement scheme contribution (note)	324,207	203,547
	2,291,139	1,538,004

Note: For the year ended 31 December 2022, no COVID-19 related government assistance (2021:RMB2,495,000) have been offset against staff costs.

10. INCOME TAX EXPENSE

	2022 RMB'000	2021 RMB'000
PRC Enterprise Income Tax:		
Current tax	213,171	220,393
Under (over) provision in respect of prior year	117	(635)
	213,288	219,758
Deferred tax (Note 24):		
Credited to profit or loss for the year	(48,226)	(20,880)
	165,062	198,878

Under the Law of the PRC on Enterprise Income Tax and Implementation Regulation of the Enterprise Income Tax Law, the tax rate of the PRC subsidiaries are i) 25%, ii) 15% if registered or engaged in the encouraged industries and registered in the western region of the PRC, iii) 15% if regarded as advanced technology enterprise by local tax bureau or iv) 15% if registered and operating in the Hainan Free Trade Port.

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.

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

The income tax expense for the year can be reconciled to the profit before taxation per the consolidated statement of profit or loss and other comprehensive income as follows:

	2022 RMB'000	2021 RMB'000
Profit before taxation	740,954	891,413
Tax calculated at the rates applicable to profits in the tax jurisdictions concerned	185,239	222,853
Effect of different tax rates	(25,497)	(26,290)
Tax effect of expenses not deductible for tax purposes	4,262	2,483
Tax effect of tax losses not recognised	1,300	981
Utilisation of tax losses previously not recognised	(359)	(514)
Under (over) provision of tax for the prior year	117	(635)
Income tax expense	165,062	198,878

11. DIVIDENDS

	2022	2021
	RMB'000	RMB'000
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2022 Interim - HK$0.074 (2021 Interim - Nil) per ordinary share	113,071	—
2021 Final - HK$0.1299 (2020 Final - HK$0.0838) per ordinary share	185,047	117,228
	298,118	117,228

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2022 of HK$0.0492 (2021: final dividend in respect of the year ended 31 December 2021 of HK$0.1299) per ordinary share, in an aggregate amount of HK$86,062,000 (2021: HK$227,654,000), has been proposed by the board of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

12. EARNINGS PER SHARE

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

	2022	2021
	RMB'000	RMB'000
Earnings		
Profit attributable to the equity owners of the Company	480,111	617,014

	2022	2021
	'000	'000
Number of shares		
Weighted average number of ordinary shares	1,750,727	1,684,301

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both years.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS

(a) Directors' emoluments

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2022					
Executive director					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	4,373	660	127	5,160
Mr. Zhou Di	—	1,378	660	69	2,107
Non-executive director					
Mr. Lin Feng	—	—	—	—	—
Independent non-executive director					
Mr. Ma Yongyi	257	—	—	—	257
Mr. Cheung Wai Chung	343	—	—	—	343
Mr. Yu Tiecheng	257	—	—	—	257
	857	5,751	1,320	196	8,124

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(a) Directors' emoluments (continued)

	Fees	Salaries, allowance and benefits in kind	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended 31 December 2021					
Executive director					
Mr. Lin Zhong	—	—	—	—	—
Mr. Zhou Hongbin	—	4,343	660	122	5,125
Mr. Zhou Di	—	1,268	660	92	2,020
Non-executive director					
Mr. Lin Feng	—	—	—	—	—
Independent non-executive director					
Mr. Ma Yongyi	202	—	—	—	202
Mr. Cheung Wai Chung	205	—	—	—	205
Mr. Yu Tiecheng (note i)	27	—	—	—	27
Mr. Wang Peng (note ii)	—	—	—	—	—
	434	5,611	1,320	214	7,579

Notes:

(i) Mr. Yu Tiecheng was appointed as an independent non-executive director on 16 November 2021.

(ii) Mr. Wang Peng was removed as an independent non-executive director on 14 December 2021.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' and non-executive directors' emoluments shown above were paid for their services as directors of the Company.

There was no arrangement under which a director or the Chief Executive Officer waived or agreed to waive any remuneration during the year.

Discretionary bonus is determined by reference to the performance of individuals and the Group.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS AND THE FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

(b) The five highest paid individuals

The five highest paid individuals of the Group are analysed as follows:

	2022	2021
	Number of individuals	Number of individuals
Directors	2	2
Non-directors, the highest paid individual	3	3
	5	5

Details of the emoluments of the above non-directors, the highest paid individual for the years ended 31 December 2022 and 2021 are as follows:

	2022	2021
	RMB'000	RMB'000
Salaries and other emoluments	3,186	3,618
Discretionary bonuses	1,936	1,320
Retirement scheme contributions	390	325
	5,512	5,263

The number of the highest paid non-directors fell within the following emolument band:

	2022	2021
	Number of individuals	Number of individuals
HKD2,000,001 to HKD2,500,000	3	3

During the year, no emoluments were paid by the Group to any of the directors or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

14. PROPERTY, PLANT AND EQUIPMENT

	Buildings	Leasehold improvements	Computer equipment and software	Transportation equipment	Furniture and equipment	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
COST						
At 1 January 2021	60,237	23,022	42,220	2,844	7,694	136,017
Reclassify to intangible assets	—	—	(21,941)	—	—	(21,941)
Additions	6,423	15,748	6,053	12,371	2,356	42,951
Acquisition of subsidiaries (Note 26)	2,787	—	1,494	27,653	690	32,624
Disposals	—	—	(237)	(330)	(134)	(701)
At 31 December 2021 and 1 January 2022	69,447	38,770	27,589	42,538	10,606	188,950
Additions	19,801	5,058	6,621	27,546	3,448	62,474
Acquisition of subsidiaries (Note 26)	—	—	819	195	101	1,115
Disposals	—	(2,419)	(318)	(4,997)	(85)	(7,819)
At 31 December 2022	89,248	41,409	34,711	65,282	14,070	244,720
ACCUMULATED DEPRECIATION						
At 1 January 2021	23,677	10,397	12,967	391	2,384	49,816
Reclassify to intangible assets	—	—	(5,609)	—	—	(5,609)
Depreciation	15,723	6,674	4,899	3,621	2,057	32,974
Disposals	—	—	(163)	(260)	(72)	(495)
At 31 December 2021 and 1 January 2022	39,400	17,071	12,094	3,752	4,369	76,686
Depreciation	14,437	8,139	5,952	11,735	2,596	42,859
Disposals	—	(2,385)	(236)	(1,883)	(29)	(4,533)
At 31 December 2022	53,837	22,825	17,810	13,604	6,936	115,012
NET BOOK VALUE						
At 31 December 2021	30,047	21,699	15,495	38,786	6,237	112,264
At 31 December 2022	35,411	18,584	16,901	51,678	7,134	129,708

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The above items of property, plant and equipment are depreciated using the straight-line method after taking into account of their estimated residual values at the following rates per annum:

Buildings	Shorter of the asset's useful life and the lease term on a straight-line basis
Leasehold improvements	Over the remaining life of lease term
Computer equipment and software	3 years
Transportation equipment	5-15years
Furniture and equipment	3 years

Building is held for own use and situated in the PRC.

At 31 December 2022, the Group has pledged owned properties with carrying amounts of RMB2,635,000(31 December 2021: RMB2,749,000) to secure general banking facilities granted to the Group.

The Group as lessee

Right-of-use assets (included in the property, plant and equipment)

	Leased properties
	RMB'000
As at 31 December 2022	
Carrying amount	26,626
As at 31 December 2021	
Carrying amount	20,583
For the year ended 31 December 2022	
Depreciation charge	13,758
For the year ended 31 December 2021	
Depreciation charge	15,122

	2022	2021
	RMB'000	RMB'000
Total cash outflow for leases	27,818	32,496
Additions to right-of-use assets	19,801	6,423

14. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group leases various offices and office equipment for its operations. Lease contracts are entered into for fixed term of one to five years with no extension and termination option. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

To better manage the Group's capital structure and financing needs, the Group sometimes enters into sale and leaseback arrangements in relation to machinery leases. These legal transfer does not satisfy the requirements of HKFRS 15 to be accounted for as a sale of the machinery. As at 31 December 2022, the balance of borrowings of RMB15,161,000 was secured by property, plant and equipment with a carrying amount of RMB24,151,000.

The Group regularly entered into short-term leases for furniture and equipment. As at 31 December 2022 and 2021, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed in Note 9.

15. INVESTMENT PROPERTIES

The Group leases out various properties, storage units and car parks with fixed rentals payable monthly. The leases typically run for an initial period of one to five years.

The lease contracts do not contain residual value guarantee and/or lessee's option to purchase the property at the end of lease term.

	2022	2021
	RMB'000	RMB'000
Fair value		
At 1 January	58,970	55,119
Acquisition of subsidiaries (Note 26)	389,515	—
Additions	115,032	—
Disposals	(8,058)	(2,912)
Change in fair value	1,225	6,763
At 31 December	556,684	58,970
Unrealised gain on property revaluation included in profit or loss	619	6,945

The fair value of the Group's investment properties as at 31 December 2022 and 2021, have been arrived at on the basis of valuation carried out on the respective dates by independent valuers who hold a recognised and relevant professional qualification and have recent experience in the location and category of the investment property being valued.

15. INVESTMENT PROPERTIES (CONTINUED)

Details of the valuation of investment properties are as follows:

	Valuation Techniques	Significant unobservable input and range 2022	2021
Commercial property 2022: RMB463,734,000 2021: Nil	Direct comparison approach	Average market unit price: RMB8,100-24,222 per square metre	N/A
Commercial property 2022: RMB2,530,000 2021: RMB2,560,000	Income capitalisation approach	Discount rate: 5.0% Rental growth rate: 2.5% Prevailing daily market rent: RMB6 per square metre per day	Discount rate: 5.0% Rental growth rate: 2.5% Prevailing daily market rent: RMB6 per square metre per day
Storage units 2022: RMB360,000 2021: RMB850,000	Income capitalisation approach	Discount rate: 5.0% Rental growth rate: 1.0% Prevailing daily market rent: RMB0.52 per square metre per day	Discount rate: 5.0% Rental growth rate: 1.0% Prevailing daily market rent: RMB0.5-0.53 per square metre per day
Car parks 2022: RMB90,060,000 2021: RMB55,560,000	Direct comparison approach	Average market unit price: RMB1,864-4,882 per square metre	Average market unit price: RMB4,267 per square metre

A significant increase in the rental growth rate, prevailing daily market rent or average market unit price used would result in a significant increase in fair value, and vice versa. A significant increase in the discount rate used would result in a significant decrease in fair value, and vice versa.

The fair values of all investment properties are measured on Level 3 fair value measurement. There were no transfers into or out of Level 3 during the year.

As at 31 December 2022, an investment property with a carrying amount of RMB108,000,000 (2021: Nil) in which the Group is in the process of obtaining certificates.

16. GOODWILL AND INTANGIBLE ASSETS

	2022	2021
	RMB'000	RMB'000
Intangible assets	354,196	371,687
Goodwill	1,454,656	1,343,707
	1,808,852	1,715,394

	Intangible assets - property management contracts and customer relationship	Goodwill	Software	Total
	RMB'000	RMB'000	RMB'000	RMB'000
COST				
At 1 January 2021	130,763	470,952	—	601,715
Reclassify from property, plant and equipment	—	—	21,941	21,941
Acquisition of subsidiaries (Note 26)	269,603	872,755	—	1,142,358
Additions	—	—	35,167	35,167
At 31 December 2021 and 1 January 2022	400,366	1,343,707	57,108	1,801,181
Acquisition of subsidiaries (Note 26)	21,420	110,949	—	132,369
Additions	—	—	11,541	11,541
Written-off	—	—	(4,138)	(4,138)
At 31 December 2022	421,786	1,454,656	64,511	1,940,953
ACCUMULATED AMORTISATION				
At 1 January 2021	39,714	—	—	39,714
Reclassify from property, plant and equipment	—	—	5,609	5,609
Amortisation	32,178		8,286	40,464
At 31 December 2021 and 1 January 2022	71,892	—	13,895	85,787
Amortisation	38,802	—	11,650	50,452
Written-off	—	—	(4,138)	(4,138)
At 31 December 2022	110,694	—	21,407	132,101
NET BOOK VALUE				
At 31 December 2021	328,474	1,343,707	43,213	1,715,394
At 31 December 2022	311,092	1,454,656	43,104	1,808,852

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

The intangible assets arising from property management contracts and customers' relationship have finite useful lives and are amortised on a straight-line basis from one to twenty years.

Goodwill were arisen from acquisition of subsidiaries from third parties.

Software are amortised on a straight-line basis for five years.

Impairment test on goodwill is performed at least annually.

IMPAIRMENT TESTING ON GOODWILL

For the purposes of impairment testing, goodwill and intangible assets - property management contracts and customer relationship have been allocated to individual groups of CGUs. The carrying amounts of goodwill and intangible assets allocated to these units are as follows:

	Goodwill		Intangible assets - property management contracts and customer relationship	
	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Yayuan Property Management Co., Ltd ("Qingdao Yayuan")	413,898	413,898	40,065	55,234
Shanghai Xingyue Property Services Co.,Ltd ("Shanghai Xingyue")	229,819	229,819	89,812	95,236
Shanghai Macalline Property Management Services Co., Ltd. ("Macalline Property")	589,050	589,050	149,001	159,272
Zhengzhou Jinyi Property Service Co., Ltd. ("Zhengzhou Jinyi")	110,949	—	20,083	—
Other groups of CGUs	110,940	110,940	12,131	18,732
	1,454,656	1,343,707	311,092	328,474

In addition to goodwill and intangible assets above, property, plant and equipment that generate cash flows together with the related goodwill and intangible assets are also included in the respective groups of CGUs for the purpose of impairment assessment.

The recoverable amounts of the above groups of CGUs were determined based on value in use calculations. Those calculations use cash flow projections based on financial budgets approved by the management of the Group covering a 5-year (2021: 5-year) period.

16. GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

IMPAIRMENT TESTING ON GOODWILL (continued)

	Qingdao Yayuan	Shanghai Xingyue	Macalline Property	Zhengzhou Jinyi	Other groups of CGUs
Pre-tax discount rate					
31 December 2022	15.5%	14.4%	14.3%	14.7%	11.6%-14.4%
31 December 2021	15.9%	17.3%	16.7%	N/A	14.5%-17.8%
Growth rate within 5-year period					
31 December 2022	2.8%	3.0%	5.7%	2.8%	-0.5%-8.6%
31 December 2021	3.7%	5.2%	5.0%	N/A	1.9%-7.9%
Long-term growth rate					
31 December 2022	3.0%	3.0%	3.0%	3.0%	3.0%
31 December 2021	3.0%	3.0%	3.0%	N/A	3.0%

Pre-tax discount rate applied reflects the current market assessments of the time value of money and the risks specific to each of the group of CGUs. The growth rate within the 5-year (2021: 5-year) period have been based on past experience. The cash flows beyond the 5-year (2021: 5-year) period are extrapolated using estimated growth rates stated above. This growth rate is based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry.

Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of each of the CGUs to exceed their respective recoverable amount.

17. TRADE AND BILLS RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables		
– Related parties	787,426	136,322
– Third parties	1,212,605	761,313
	2,000,031	897,635
Bills receivables	1,602	1,598
Total	2,001,633	899,233
Less: allowance for credit losses	(229,909)	(110,917)
	1,771,724	788,316

As at 1 January 2021, trade and bills receivables from contracts with customers amounted to RMB458,628,000.

All bills received by the Group are with a maturity period of less than one year.

Trade receivables mainly arise from property management services under lump sum basis, community value-added services, value-added services to non-property owners and city services.

Revenue from property management services under lump sum basis, community value-added services, value-added services to non-property owners and city services are received in accordance with the term of the relevant service agreements and are due for payment upon the issuance of demand note.

The maturity of the bills receivable of the Group as at 31 December 2022 and 2021 is within 6 months. As at 31 December 2022 and 2021, no bills receivable is due from related parties.

Details of impairment assessment of trade and bills receivables are set out in Note 36.

As at 31 December 2022 and 2021, the ageing analysis of the trade and bills receivables net of expected credit loss presented based on invoice date were as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	1,524,357	628,043
1 to 2 years	164,039	118,452
2 to 3 years	62,037	33,549
3 to 4 years	18,065	6,726
4 to 5 years	3,226	1,546
	1,771,724	788,316

18. PREPAYMENTS AND OTHER RECEIVABLES

	2022	2021
	RMB'000	RMB'000
Deposits for exclusive sales representative agreements(note)		
– Related parties	950,197	227,924
– Third parties	315,422	—
Other deposits and other receivables		
– Related parties	11,043	3,059
– Third parties	216,976	259,782
Total	1,493,638	490,765
Less: allowance for credit losses of deposits and other receivables	(54,256)	(21,219)
	1,439,382	469,546
Deposit paid for potential acquisition of a subsidiary	58,124	—
Prepayments	98,918	65,956
Prepayment of purchase of financial assets at FVTPL	122,470	—
Interest receivables	—	999
	1,718,894	536,501
Less: Prepayments for property, plant and equipment	(400)	(367)
Deposit paid for potential acquisition of a subsidiary (Note 38)	(58,124)	—
Deposits for exclusive sales representative agreements	(145,932)	—
	(204,456)	(367)
Prepayments and other receivables presented as current assets	1,514,438	536,134

Note: Deposits for exclusive sales representative agreements represent refundable deposits to secure the sales collection of car parks, storage units and retail shops from the buyers. The deposits will be refunded when the car parks, storage units and retail shops are sold out.

19. FINANCIAL ASSETS AT FVTPL

	2022	2021
	RMB'000	RMB'000
Listed securities held for trading:		
– Equity securities listed in Hong Kong	15,590	—
Unlisted equity funds (note)	384,440	—
	400,030	—
Less: Financial assets at FVTPL presented as non-current assets	(384,440)	—
Financial assets at FVTPL presented as current assets	15,590	—

Note: The Group invested in several close-ended funds. Unlisted equity funds are classified as non-current assets as the management does not expect to dispose of these financial assets within twelve months from the reporting period.

The fair value of these funds was determined based on net asset value, further details were disclosed in Note 36.

20. RESTRICTED CASH AND CASH AND CASH QUIVALENTS

	2022	2021
	RMB'000	RMB'000
Restricted cash	29,288	11,119
Cash on hand	781	47
Fixed deposits with original maturity less than 3 months	—	155,000
Bank balances	1,533,593	3,829,999
Cash and cash equivalents	1,534,374	3,985,046

Bank balances and deposits carry interest at market rates which range from 0.25% to 1.75% (2021: 0.3% to 2.95%).

Notes:

(a) At 31 December 2022, bank balances, deposits and cash in the amount of RMB13,282,000 (2021:RMB30,867,000), RMB1,514,801,000 (2021:RMB3,948,069,000) and RMB6,291,000 (2021: RMB6,110,000) are denominated in HK$, RMB and USD respectively. The cash and cash equivalent denominated in RMB are deposited in the PRC in the ordinary course of business. RMB is not a freely convertible currency and the remittance of funds out of the PRC is subject to the relevant rules and regulations of foreign exchange control promulgated by the PRC government.

(b) Restricted cash includes deposits of performance security of RMB5,260,000 (2021:RMB2,273,000), deposits of bills payables of RMB12,769,000 (2021:Nil) and housing maintenance funds of RMB2,112,000 (2021: RMB5,584,000). The housing maintenance funds which were owned by the property owners but were deposited in the bank accounts in the name of the Group, such deposits can be used by the Group for the purpose of public maintenance expenditures upon the approval from the relevant government authorities.

21. TRADE AND BILLS PAYABLES

	2022 RMB'000	2021 RMB'000
Trade payables		
– Related parties	63,709	20,955
– Third parties	925,685	565,409
	989,394	586,364
Bills payables	12,769	—
	1,002,163	586,364

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade and bills payables as at 31 December 2022 and 2021 as follows:

	2022 RMB'000	2021 RMB'000
Within 1 year	862,077	538,777
1 to 2 years	110,885	35,453
2 to 3 years	25,677	11,621
3 to 4 years	3,339	513
4 to 5 years	185	—
	1,002,163	586,364

22. ACCRUALS AND OTHER PAYABLES

	2022	2021
	RMB'000	RMB'000
Accruals and other payables		
– Related parties (note a)	221,515	222,339
– Third parties	596,506	528,966
	818,021	751,305
Amount due to a director (note a)	84	84
Provision for legal dispute (note b)	2,195	2,878
Dividends payable to non-controlling shareholders of subsidiaries	7,147	2,580
Consideration payables for acquisition of a subsidiary (note c)	21,626	24,472
Salaries payables	263,197	231,428
Other tax payables	129,033	114,387
	1,241,303	1,127,134
Less: Amount shown under non-current liabilities	(13,174)	(20,787)
Accruals and other payables presented as current liabilities	1,228,129	1,106,347

Notes:

(a) The balance is unsecured, interest-free and repayable on demand.

(b) The Group is currently involved in a number of legal disputes. The amount provided represents the directors' best estimate of the Group's liability having taken legal advice. Uncertainties relate to whether claims will be settled out of court or if not whether the Group is successful in defending any action.

As at 31 December 2022 and 2021, the provision for legal dispute reconciles to the opening for that provision as follows:

	Total
	RMB'000
At 1 January 2021	4,893
Reversal of provision	(1,660)
Utilisation of provision	(355)
At 31 December 2021 and 1 January 2022	2,878
Reversal of provision	(514)
Utilisation of provision	(169)
At 31 December 2022	2,195

(c) The amount represents the consideration payables for acquisition of subsidiaries. Included amount of RMB13,174,000 (2021:RMB19,383,000) are due 12 months after the reporting period and therefore presented as non-current liabilities.

23. BORROWINGS

	2022	2021
	RMB'000	RMB'000
Secured:		
Bank loans	61,002	1,400
Other loans	15,161	—
	76,163	1,400

	Bank loans		Other loans		Total	
	2022	2021	2022	2021	2022	2021
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
The carrying amounts of the above borrowings are repayable (note):						
Within one year	18,002	1,400	10,104	—	28,106	1,400
Within a period of more than one year but not exceeding two years	4,000	—	4,519	—	8,519	—
Within a period of more than two years but not exceeding five years	12,000	—	538	—	12,538	—
Within a period of more than five years	27,000	—	—	—	27,000	—
	61,002	1,400	15,161	—	76,163	1,400
Less: Amounts due within one year shown under current liabilities	(18,002)	(1,400)	(10,104)	—	(28,106)	(1,400)
	43,000	—	5,057	—	48,057	—

Note: The amounts due are based on scheduled repayment dates set out in the loan agreements.

All the borrowings are denominated in RMB as at 31 December 2022.

As at 31 December 2022, secured bank loans of RMB7,920,000 (2021:RMB1,400,000) and RMB47,082,000 were secured by property, plant and equipment and investment property with a carrying amount of RMB2,635,000 (2021:RMB2,749,000) and RMB193,297,000 respectively and secured bank loans of RMB6,000,000 were guaranteed by management of the Group's subsidiary and a third party, with final maturity of ten years from the date of first utilisation date. The information about other loans was disclosed in Note 14.

Fixed-rate borrowings amounted to RMB13,920,000 (2021:Nil) carry interest ranging from 4.5% to 6.5% per annum at 31 December 2022 and expose the Group to fair value interest rate risk. The remaining borrowings are arranged at variable rates of Loan Prime Rate+1.85% (2021:Loan Prime Rate+0.15%).

24. DEFERRED TAX

Details of the deferred tax assets and liabilities recognised and movements for the years ended 31 December 2022 and 2021 are as follows:

Deferred tax assets

	Impairment loss on trade and bills receivables	Impairment loss on deposits and other receivables	Provision for legal dispute	Accumulated tax losses	Lease	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	15,216	4,056	1,223	111	76	20,682
Acquisition of subsidiaries (Note 26)	3,152	239	—	—	—	3,391
Credited (charged) to profit or loss for the year	13,429	1,384	(503)	(111)	(76)	14,123
At 31 December 2021 and 1 January 2022	31,797	5,679	720	—	—	38,196
Acquisition of subsidiaries (Note 26)	3,654	—	—	—	—	3,654
Credited (charged) to profit or loss for the year	29,760	8,247	(171)	—	—	37,836
At 31 December 2022	65,211	13,926	549	—	—	79,686

Deferred tax liabilities

	Withholding tax of undistributed profits	Fair value adjustment of management contract & customer relationship	Fair value adjustment of revalued property, plant and equipment	Fair value adjustment for investment properties	Lease	Total
	RMB'000 (note a)	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	(11,926)	(22,763)	(1,126)	(10,787)	(62)	(46,664)
Acquisition of subsidiaries (Note 26)	—	(66,380)	(721)	—	—	(67,101)
Credited (charged) to profit or loss for the year	—	7,916	212	(1,394)	23	6,757
At 31 December 2021 and 1 January 2022	(11,926)	(81,227)	(1,635)	(12,181)	(39)	(107,008)
Acquisition of subsidiaries (Note 26)	—	(5,355)	(144)	—	—	(5,499)
Credited (charged) to profit or loss for the year	—	9,502	220	746	(78)	10,390
At 31 December 2022	(11,926)	(77,080)	(1,559)	(11,435)	(117)	(102,117)

24. DEFERRED TAX (CONTINUED)

Deferred tax liabilities (continued)

Notes:

(a) No deferred tax liability has been provided on certain temporary difference of RMB1,336,426,000 (2021: RMB906,673,000) relating to the undistributed earnings of foreign subsidiaries because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

(b) At 31 December 2022, the Group had unused tax losses of approximately RMB7,689,000 (2021: RMB3,925,000) available to offset against future profits. Deferred taxation assets have been recognised in respect of such losses of approximately Nil (2021: Nil) at 31 December 2022. No deferred taxation asset has been recognised in respect of the remaining losses of approximately RMB7,687,000 (2021: RMB3,925,000) at 31 December 2022 due to the unpredictability of future profit streams. The unrecognised tax losses will expire by year 2025-2027.

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2022	2021
	RMB'000	RMB'000
Deferred tax assets	68,134	38,196
Deferred tax liabilities	(90,565)	(107,008)
	(22,431)	(68,812)

25. SHARE CAPITAL

	2022		2021	
	Number	Amount	Number	Amount
	'000	RMB'000	'000	RMB'000
Ordinary shares of HK$0.01 each				
Authorised:				
As at 1 January and 31 December	4,000,000	35,462	4,000,000	35,462

25. SHARE CAPITAL (CONTINUED)

	2022		2021	
	Number	Amount	Number	Amount
	'000	RMB'000	'000	RMB'000
Issued and fully paid:				
As at 1 January	1,753,920	15,519	1,670,400	14,830
Cancellation of repurchased shares (note a)	(4,700)	(39)	—	—
Placement of shares (note b)	—	—	83,520	689
At 31 December	1,749,220	15,480	1,753,920	15,519

Notes:

(a) During the year ended 31 December 2021, the Company has repurchased its own ordinary shares in aggregate of 558,000 shares, at aggregate consideration paid of RMB5,714,000.

During the year ended 31 December 2022, the Company has repurchased its own ordinary shares in aggregate of 4,142,000 shares and cancelled 4,700,000 shares.

Month of repurchase	Number of ordinary shares of HK$ 0.01 each	Price per share		Aggregate consideration paid	
		Highest	Lowest		
		HK$	HK$	HK$'000	RMB'000
January	826,000	11.40	10.86	9,205	7,532
April	1,156,000	11.96	9.55	11,904	9,789
July	2,160,000	7.41	6.02	14,606	12,538
	4,142,000			35,715	29,859

(b) On 1 November 2021, a total of 83,520,000 placing shares have been successfully placed at the placing price of HK$15.76 per share to no less than six independent placees, who and whose respective ultimate beneficial owners are third parties independent of and not connected with the Company, any director, chief executive or substantial shareholder of the Company or any of its subsidiaries, or any of its respective associates as defined by the Listing Rules, and not acting in concert with the Company and its concert parties.

26. ACQUISITION OF SUBSIDIARIES

For the year ended 31 December 2022

(a) Acquisitions of business

In January 2022, the Group completed the acquisition of 100% equity interests in Zhengzhou Jinyi. Zhengzhou Jinyi and its subsidiaries are principally engaged in the property management and community value-added services.

This acquisition was made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and has been accounted for as acquisition of businesses using the acquisition method.

Consideration transferred

	Zhengzhou Jinyi
	RMB'000
Cash consideration paid	118,783
Offsetting amount due from selling shareholder by Zhengzhou Jinyi	26,217
Total	145,000

Pursuant to the sale and purchase agreement, the Group will be compensated if (i) the respective revenue targets have not been met or (ii) the respective property management contracts have not been entered and effective prior to the specified dates set out in the agreement. The management believes that the fair value of the above guarantee is insignificant on the acquisition date and as at 31 December 2022.

Acquisition-related costs amounting to RMB460,000 have been excluded from the consideration transferred and have been recognised as an expense in the current period, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2022 (continued)

(a) Acquisitions of business (continued)

Assets acquired and liabilities recognised at the date of acquisition

	Zhengzhou Jinyi
	RMB'000
Property, plant and equipment	1,115
Intangible assets - property management contracts and customers relationship	21,420
Deferred tax assets	3,654
Inventories	4
Trade receivables	9,657
Prepayments and other receivables	3,666
Amount due from selling shareholder	36,217
Bank balances, deposits and cash	50,975
Trade and bills payables	(27,918)
Accruals and other payables	(23,677)
Contract liabilities	(21,463)
Provision for taxation	(4,100)
Borrowings	(10,000)
Deferred tax liabilities	(5,499)
Net identifiable assets	34,051

The trade receivables and other receivables acquired with a fair value of RMB13,323,000 as at the date of acquisition had gross contractual amounts of RMB27,941,000. The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB14,618,000.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquiree.

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2022 (continued)

(a) Acquisitions of business (continued)

Goodwill arising on the acquisition

	Zhengzhou Jinyi
	RMB'000
Consideration transferred	145,000
Less: Fair value of net identifiable assets acquired	(34,051)
Goodwill arising on the acquisition	110,949

Goodwill arose on the acquisition of Zhengzhou Jinyi because the expected future development of acquiree's business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on the acquisition is expected to be deductible for tax purposes.

Net cash outflows arising on the acquisition

	Zhengzhou Jinyi
	RMB'000
Cash consideration paid	118,783
Less: Bank balances, deposits and cash	(50,975)
	67,808

Impact of acquisition on the results of the Group

Included in the profit for the year is RMB17,542,000 attributable to the additional business generated by Zhengzhou Jinyi. Revenue for the year includes RMB134,240,000 generated from Zhengzhou Jinyi. Had the acquisition of Zhengzhou Jinyi been completed on 1 January 2022, revenue and profit for the year of the Group would be approximately the same as the amounts presented on the face of the consolidated statement of profit or loss and other comprehensive income.

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2022 (continued)

(b) Acquisitions of assets through acquisition of subsidiaries

In December 2022, the Group acquired 100% interest in 重慶盛詢企業管理諮詢有限公司 ("Chongqing Shengxun"), 重慶盛旭企業管理諮詢有限公司 ("Chongqing Shengxu") and 南京寧曦商務諮詢有限公司 ("Nanjing Ningxi") at a cash consideration of RMB96,663,000, RMB100,400,000 and RMB149,984,000 respectively. These three companies each hold a residential building that earns rental income.

The Group elected to apply the optional concentration test in accordance with HKFRS 3 "Business Combinations" and concluded that the investment property of each company is considered a single identifiable asset.

Consequently, the Group determined that substantially all of the fair value of the gross assets (excluding bank balances, deposits and cash) acquired is concentrated in a group of similar identifiable assets and concluded that the acquired set of activities and assets is not a business.

Assets and liabilities recognised at the date of acquisition

	Chongqing Shengxun	Chongqing Shengxu	Nanjing Ningxi	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Investment properties	97,334	98,884	193,297	389,515
Trade and bills receivables	—	3,170	—	3,170
Prepayment and other receivables	98	264	7,282	7,644
Bank balances, deposits and cash	430	425	987	1,842
Trade and bills payables	(579)	(1,732)	(58)	(2,369)
Accruals and other payables	(620)	(611)	(4,441)	(5,672)
Borrowings	—	—	(47,083)	(47,083)
	96,663	100,400	149,984	347,047

Net cash outflows arising on the acquisition

	Chongqing Shengxun	Chongqing Shengxu	Nanjing Ningxi	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Consideration paid in cash	96,663	100,400	149,984	347,047
Less: bank balances and cash acquired	(430)	(425)	(987)	(1,842)
	96,233	99,975	148,997	345,205

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2021

(c) Acquisitions of business

The Group has the following significant acquisitions of subsidiaries during the year ended 31 December 2021:

(i) On 25 March 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 90.1% equity interests in Shanghai Xingyue, a company whose principal activity is provision of property management and other community services. The acquisition was completed in June 2021.

(ii) On 30 September 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 51% equity interests in Hunan Meizhong Environment Ecological Technology Company Limited ("Hunan Meizhong"), a company whose principal activity is provision of city services. The acquisition was completed in November 2021.

(iii) In October 2021, the Group entered into a sales and purchase agreement with an independent third party to acquire 80% equity interests in Macalline Property, a company whose principal activity is provision of property management and other community services. The acquisition was completed in November 2021.

The Group has also completed other insignificant acquisitions of subsidiaries during the year ended 31 December 2021.

These acquisitions were made with the aims to expand the Group's existing scale of operation and enlarge the Group's market presence and have been accounted for as acquisition of businesses using the acquisition method.

Consideration transferred

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration paid	297,330	39,483	696,000	4,422	1,037,235
Consideration payable	—	17,130	—	2,312	19,442
Total	297,330	56,613	696,000	6,734	1,056,677

The consideration of Shanghai Xingyue, Hunan Meizhong and Macalline Property is subject to adjustment of profit guarantee granted by the seller. The management believes that the fair value of the above profit guarantee is insignificant on the acquisition date and as at 31 December 2021, and the Group has met the profit guarantee in 2022.

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2021 (continued)

(c) Acquisitions of business (continued)

Consideration transferred (continued)

Acquisition-related costs amounting to RMB1,665,000 have been excluded from the consideration transferred and have been recognised as an expense in the current year, within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

Assets acquired and liabilities recognised at the date of acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Property, plant and equipment	—	31,684	254	686	32,624
Intangible assets – property management contracts and customers relationship	98,400	10,203	161,000	—	269,603
Deferred tax assets	—	580	—	2,811	3,391
Trade receivables	—	40,868	999	14,233	56,100
Prepayments and other receivables	—	33,930	10,461	18,426	62,817
Inventories	—	1,770	—	—	1,770
Bank balances, deposits and cash	1,129	12,334	33,520	9,767	56,750
Trade and bills payables	—	(10,539)	—	(22,008)	(32,547)
Accruals and other payables	—	(77,080)	(32,294)	(24,192)	(133,566)
Contract liabilities	—	(10,270)	(2)	(5,779)	(16,051)
Provision for taxation	—	—	—	(547)	(547)
Bank loan	—	(7,603)	—	—	(7,603)
Deferred tax liabilities	(24,600)	(2,200)	(40,250)	(51)	(67,101)
Net identifiable assets (liabilities)	74,929	23,677	133,688	(6,654)	225,640

The trade receivables and other receivables acquired with a fair value of RMB116,793,000 as at the date of acquisitions had gross contractual amounts of RMB131,873,000.The best estimate at acquisition date of contractual cash flows not expected to be collected amounted to RMB15,080,000.

The fair value of intangible assets acquired in business combination is estimated by independent valuers through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees.

26. ACQUISITION OF SUBSIDIARIES (CONTINUED)

For the year ended 31 December 2021 (continued)

(c) Acquisitions of business (continued)

Goodwill arising on the acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Consideration transferred	297,330	56,613	696,000	6,734	1,056,677
Add: Non-controlling interests	7,418	11,601	26,738	(4,039)	41,718
Less: Fair value of net identifiable assets acquired	(74,929)	(23,677)	(133,688)	6,654	(225,640)
Goodwill arising on the acquisition	229,819	44,537	589,050	9,349	872,755

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net assets at the acquisition dates.

Goodwill arose on the acquisition of subsidiaries because the expected future development of acquirees' business, improvement on market coverage, enriching the service portfolio, integrating value-added services, and improvement on management efficiency, etc. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflows arising on the acquisition

	Shanghai Xingyue	Hunan Meizhong	Macalline Property	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash consideration paid	297,330	39,483	696,000	4,422	1,037,235
Less: Bank balances, deposits and cash	(1,129)	(12,334)	(33,520)	(9,767)	(56,750)
	296,201	27,149	662,480	(5,345)	980,485

Impact of acquisitions on the results of the Group

Since the acquisitions dates, these subsidiaries in aggregate have contributed RMB313,821,000 and RMB35,614,000 to the Group's revenue and profit for the year ended 31 December 2021, if the acquisitions had occurred on 1 January 2021, the Group's revenue and profit would have been RMB5,018,920,000 and RMB709,513,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2021, nor is it intended to be a projection of future performance.

27. COMPANY'S STATEMENT OF FINANCIAL POSITION

	Note	2022	2021
		RMB'000	RMB'000
Non-current assets			
Interests in subsidiaries		153,511	153,511
Amounts due from subsidiaries (note i)		2,570,945	1,993,055
		2,724,456	2,146,566
Current assets			
Financial assets at fair value through profit or loss		15,590	—
Bank balances, deposits and cash		10,313	897,437
		25,903	897,437
Current liabilities			
Accruals and other payables		625	—
		625	—
Net current assets		25,278	897,437
Total assets less current liabilities		2,749,734	3,044,003
NET ASSETS		2,749,734	3,044,003
Capital and reserves			
Share capital	25	15,480	15,519
Reserves (note ii)		2,734,254	3,028,484
TOTAL EQUITY		2,749,734	3,044,003

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

Notes:

(i) The amounts due from subsidiaries are unsecured, interest-free and repayable on demand. The amounts are not expected to be repaid within 12 months after reporting period and therefore classified as non-current assets.

27. COMPANY'S STATEMENT OF FINANCIAL POSITION (CONTINUED)

Notes: (continued)

(ii) Movements in reserves

	Treasury shares	Share premium	Accumulated losses	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	—	2,173,296	(85,622)	2,087,674
Loss and total comprehensive loss for the year	—	—	(12,068)	(12,068)
Dividend paid	—	(117,228)	—	(117,228)
Placement of shares	—	1,085,462	—	1,085,462
Shares repurchase	(5,714)	—	—	(5,714)
Transaction cost attributable to the issue of new shares	—	(9,642)	—	(9,642)
Balance at 31 December 2021 and 1 January 2022	(5,714)	3,131,888	(97,690)	3,028,484
Profit and total comprehensive income for the year	—	—	33,708	33,708
Dividend paid	—	(298,118)	—	(298,118)
Repurchase and cancellation of shares	5,714	(35,534)	—	(29,820)
Balance at 31 December 2022	—	2,798,236	(63,982)	2,734,254

28. INTERESTS IN SUBSIDIARIES

Details of the major subsidiaries are as follows:

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests 2022	% of ownership interests 2021	Place of incorporation and operation and principal activities
Elite Force Investment Limited	Limited liability company registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Elite Force International Limited	Limited liability company registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
City Lights Assets Limited	Limited liability company registered under Hong Kong Companies Ordinance	HKD100	100%	100%	Investment Holding in Hong Kong
Prominent Intellectuals Limited	Limited liability company registered under BVI Company law	USD1	100%	100%	Investment Holding in BVI
Shanghai Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB112,000,000	100%	100%	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests 2022	% of ownership interests 2021	Place of incorporation and operation and principal activities
Xiamen Yongsheng Property Service Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Beijing Yongsheng Property Service Company Limited	Limited liability company registered under the PRC law	RMB100,000,000	100%	100%	Property Management in the PRC
Shanghai Xiaole Enterprises Development Co., Ltd	Limited liability company registered under the PRC law	RMB102,000,000	100%	100%	Property Management in the PRC
Ningbo Yongda Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Shandong Luban Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	70%	70%	Property Management in the PRC
Hubei Yufu Meijia Property Agency Company Limited	Limited liability company registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC
Hubei Xu Mei Yongsheng Property Company Limited	Limited liability company registered under the PRC law	RMB2,010,000	100%	100%	Property Management in the PRC
Shanghai Shengkuang Construction and Engineering Co.,Ltd	Limited liability company registered under the PRC law	RMB40,000,000	100%	100%	Construction and Maintenance in the PRC
Suzhou Xinyong Property Management Co., Ltd.	Limited liability company registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Qingdao Yayuan	Limited liability company registered under the PRC law	RMB5,000,000	55%	55%	Property Management in the PRC
Shandong Huizhong Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Runhe Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Yinshengtai Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB3,000,000	50%	50%	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Tangshan Yongsheng yujing Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	65%	65%	Property Management in the PRC
Jiangsu Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB10,000,000	100%	100%	Property Management in the PRC
Chongqing Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB2,000,000	100%	100%	Property Management in the PRC
Chongqing Xuyuan Tiancheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Liaoning Guangna Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shanghai Yongsheng Yizhi Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC
Yongsheng Jiuwu Shuzi Technology (Wuhan) Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	100%	100%	Software and Technology Services
Linjiu zhihui Technology (Guangdong) Company Limited	Limited liability company registered under the PRC law	HKD150,000,000.00	100%	100%	Software and Technology Services
Guangxi Yongsheng Qingxin Property Management Company Limited	Limited liability company registered under the PRC law	RMB500,000	70%	70%	Property Management in the PRC
Jiangsu Xiangjiang Property Development Company Limited	Limited liability company registered under the PRC law	RMB10,180,000	51%	51%	Property Management in the PRC
Qingdao Yinshengtai Property Management Services Company Limited (iii)	Limited liability company registered under the PRC law	RMB1,000,000	50%	50%	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Ningbo Shenghui Property Management Services Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Dezhou Jiaotou Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB2,000,000	51%	51%	Property Management in the PRC
Shanghai Xinhui Enterprise Development Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	100%	100%	Construction and Maintenance in the PRC
Yunnan Yongsheng Yaoxing Property Management Company Limited	Limited liability company registered under the PRC law	RMB10,000,000	51%	51%	Property Management in the PRC
Shanghai Zhenku Technology Company Limited	Limited liability company registered under the PRC law	RMB10,000,000	100%	100%	Software and Technology Services
Bijie Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	60%	60%	Property Management in the PRC
Weihai Yongsheng Xinghai Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,120,000	55%	55%	Property Management in the PRC
Chengdu Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Tianjin Yongsheng Haijing Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB5,000,000	50%	50%	Property Management in the PRC
Liupanshui Tongluowan Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Heilongjiang Baoyujiahui Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB5,000,000	50%	50%	Property Management in the PRC
Siyang Xuhui Yongsheng Life Service Company Limited	Limited liability company registered under the PRC law	USD1,000,000	90%	90%	Property Management in the PRC
Xuhui Yongsheng (Hainan) Investment Company Limited	Limited liability company registered under the PRC law	RMB701,430,800	100%	100%	Investment in the PRC
Beijing Dayitianxia Technology Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	100%	100%	Software and Technology Services

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Huaian Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	100%	100%	Property Management in the PRC
Shanghai Yonglin Enterprises Development Co., Ltd	Limited liability company registered under the PRC law	RMB500,000	100%	100%	Property Management in the PRC
Shanghai Yongbao Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Huaxixinan (Beijing) Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB5,000,000	50%	50%	Property Management in the PRC
Guangan Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB2,000,000	55%	55%	Property Management in the PRC
Liupanshui Yongsheng Zhihui Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Cangzhou Zeqing Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	60%	60%	Property Management in the PRC
Wuxi Huisheng City Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Jieshou Chengtou Xuhui Yongsheng Life Service Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	51%	51%	Property Management in the PRC
Shandong Yongsheng Guangcheng Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB3,010,000	35%	35%	Property Management in the PRC
Shandong Yongzhu Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,010,000	60%	60%	Property Management in the PRC
Changsha Yongsheng Yuecheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shoucheng Yongsheng (Hainan) Property Management Services Company Limited	Limited liability company registered under the PRC law	RMB10,000,000	51%	51%	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Shanghai Xingyue	Limited liability company registered under the PRC law	RMB1,000,000	80%	80%	Property Management in the PRC
Shanghai Yongxin Property Management Company Limited	Limited liability company registered under the PRC law	RMB10,000,000	100%	100%	Property Management in the PRC
Shandong Yongzhong Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	55%	55%	Property Management in the PRC
Yongsheng Gengrun (Jinan) Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Henan Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Yunnan Yongsheng Hongxiang Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Shanghai Yihao Yongsheng Property Management Company Limited (iii)	Limited liability company registered under the PRC law	RMB5,000,000	49%	49%	Property Management in the PRC
Handan Yongsheng Hulian Property Management Company Limited	Limited liability company registered under the PRC law	RMB5,000,000	60%	60%	Property Management in the PRC
Xuancheng Yongxin Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	100%	100%	Property Management in the PRC
Shaanxi Yongsheng Tianjie Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC
Hunan Meizhong	Limited liability company registered under the PRC law	RMB50,000,000	51%	51%	Sanitation Services in the PRC
Ningbo Shengxu Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	100%	100%	Property Management in the PRC
Beijing Yongsheng Shidai Enterprises Development Co., Ltd	Limited liability company registered under the PRC law	RMB10,000,000	51%	51%	Property Management in the PRC
Changsha Yongsheng Huiyue Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	51%	51%	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Bengbu Yongjia Property Management Company Limited	Limited liability company registered under the PRC law	RMB1,000,000	65%	65%	Property Management in the PRC
Guizhou Zhihui Yongsheng Property Management Company Limited	Limited liability company registered under the PRC law	RMB3,000,000	51%	51%	Property Management in the PRC
Hefei Yongzhang Property Management Company Limited (ii)	Limited liability company registered under the PRC law	RMB3,000,000	100%	–	Property Management in the PRC
Tiemenguan Yongsheng Huashan Property Management Company Limited (ii)	Limited liability company registered under the PRC law	RMB1,000,000	60%	–	Property Management in the PRC
Shanghai Yiniu Dingding Material Technology Company Limited (ii)	Limited liability company registered under the PRC law	RMB4,000,000	51%	–	Property Management in the PRC
Zhengzhou Jinyi (i)	Limited liability company registered under the PRC law	RMB6,000,000	100%	–	Property Management in the PRC
Yancheng Yongshenghuo Property Service Company Limited (ii)	Limited liability company registered under the PRC law	RMB1,000,000	51%	–	Property Management in the PRC
Tianshui Yongsheng Hengtong Property Company Limited (ii)	Limited liability company registered under the PRC law	RMB3,000,000	65%	–	Property Management in the PRC
Chongqing Yongsheng Huijia Property Management Company Limited (ii)	Limited liability company registered under the PRC law	RMB1,000,000	100%	–	Property Management in the PRC
Fujian Xugao Property Service Company Limited (ii)	Limited liability company registered under the PRC law	RMB10,000,000	100%	–	Property Management in the PRC
Guiyang Yongsheng Property Management Company Limited (ii)	Limited liability company registered under the PRC law	RMB1,000,000	100%	–	Property Management in the PRC

28. INTERESTS IN SUBSIDIARIES (CONTINUED)

Details of the major subsidiaries are as follows: (continued)

Name of subsidiaries	Form of business structure from	Issued share capital	% of ownership interests		Place of incorporation and operation and principal activities
			2022	2021	
Zhejiang Yongsheng Property Service Company Limited (ii)	Limited liability company registered under the PRC law	RMB10,000,000	100%	—	Property Management in the PRC
Beijing Yongsheng Zunyi Property Service Company Limited (ii)	Limited liability company registered under the PRC law	RMB2,000,000	51%	—	Property Management in the PRC
Beijing Henghui Yongsheng Property Service Company Limited (ii)&(iii)	Limited liability company registered under the PRC law	RMB10,000,000	50%	—	Property Management in the PRC
Chongqing Shengxun (i)	Limited liability company registered under the PRC law	RMB1,000,000	100%	—	Property Investment in the PRC
Chongqing Shengxu (i)	Limited liability company registered under the PRC law	RMB1,000,000	100%	—	Property Investment in the PRC
Nanjing Ningxi (i)	Limited liability company registered under the PRC law	RMB1,000,000	100%	—	Property Investment in the PRC
Shanghai Xinchen Dahai Culture Media Technoloy Company Limited (ii)	Limited liability company registered under the PRC law	RMB10,000,000	100%	—	Media Service in the PRC

Notes:

(i) The subsidiaries were acquired by the Group during the year ended 31 December 2022 (Note 26).

(ii) The subsidiaries were established by the Group during the year ended 31 December 2022.

(iii) The Group has the right to appoint a majority of directors to the board of directors. Hence the Group has the control over these entities to affect its returns. Therefore, these entities are accounted for as subsidiaries of the Company.

None of the subsidiaries had issued any debt securities at the end of the year.

29. NON-CONTROLLING INTERESTS

The table below shows details of non-wholly-owned subsidiaries of the Group that have material non-controlling interests:

Name of subsidiaries	Place of incorporation and principal place of business	Ownership interest held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		2022	2021	2022	2021	2022	2021
				RMB'000	RMB'000	RMB'000	RMB'000
Qingdao Yayuan	PRC	45%	45%	29,745	28,159	34,695	56,807
Macalline Property	PRC	20%	20%	19,564	4,604	95,770	92,292
Individually immaterial subsidiaries with non-controlling interests				46,472	42,758	106,242	98,826
				95,781	75,521	236,707	247,925

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Qingdao Yayuan

	2022	2021
	RMB'000	RMB'000
For the year ended 31 December		
Revenue	278,255	280,430
Profit and total comprehensive income	66,100	62,576
Profit attributable to non-controlling interests	29,745	28,159
Dividends paid to non-controlling interests	51,857	25,195
Cash flows from operating activities	79,238	73,335
Cash flows from investing activities	518	308
Cash flows used in financing activities	(120,056)	(69,598)
Net cash (outflows) inflows	(40,300)	4,045

29. NON-CONTROLLING INTERESTS (CONTINUED)

	2022	2021
	RMB'000	RMB'000
Current assets	139,935	167,369
Non-current assets	49,078	68,831
Current liabilities	(108,512)	(89,788)
Non-current liabilities	(3,401)	(20,176)
Net assets	77,100	126,236
Accumulated non-controlling interests	34,695	56,807

Macalline Property

	2022	2021
	RMB'000	RMB'000
For the year ended 31 December		
Revenue	595,404	160,892
Profit and total comprehensive income	97,822	23,022
Profit attributable to non-controlling interests	19,564	4,604
Dividends paid to non-controlling interests	16,086	—
Cash flows from operating activities	48,107	50,818
Cash flows used in investing activities	(397)	(328,883)
Cash flows (used in) from financing activities	(74,462)	340,000
Net cash (outflows) inflows	(26,752)	61,935

	2022	2021
	RMB'000	RMB'000
Current assets	262,772	110,003
Non-current assets	472,426	484,660
Current liabilities	(190,676)	(69,578)
Non-current liabilities	(59,703)	(63,627)
Net assets	484,819	461,458
Accumulated non-controlling interests	95,770	92,292

30. MATERIAL RELATED PARTIES TRANSACTIONS

During the year, the Group entered into the following transactions with related parties:

(a) Related parties transactions

	2022	2021
	RMB'000	RMB'000
Property management services		
Fellow subsidiaries (note i)	40,818	43,174
Associates and joint ventures of the ultimate holding company (note ii)	25,826	12,186
Subsidiaries of Red Star Macalline Group Corporation Ltd. ("Red Star Macalline") (note iii)	557,716	134,634
Total	624,360	189,994
Community value-added services		
Fellow subsidiaries (note i)	116,160	68,560
Associates and joint ventures of the ultimate holding company (note ii)	12,589	22,986
Total	128,749	91,546
Value-added services to non-property owners		
Fellow subsidiaries (note i)	538,575	423,956
Associates and joint ventures of the ultimate holding company (note ii)	207,990	231,954
Subsidiaries of Red Star Macalline (note iii)	22,926	23,934
Total	769,491	679,844
Purchase of services		
Fellow subsidiaries (note i)	5,829	—
Subsidiaries of Red Star Macalline (note iii)	85,092	19,320
	90,921	19,320
Purchase of property, plant and equipment		
Fellow subsidiaries (note i)	13,312	—

30. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(a) Related parties transactions (continued)

Notes:

(i) Represented the subsidiaries of CIFI Holdings (Group) Co. Ltd.

(ii) Represented associates and joint ventures of CIFI Holdings (Group) Co. Ltd.

(iii) Represented the subsidiaries of Red Star Macalline which is a non-controlling shareholder having a significant influence over Macalline Property.

The remuneration paid and payable to the key management personnel of the Group who are also the directors of the Company for the year is set out in Note 13.

(b) Related parties balances

	2022	2021
	RMB'000	RMB'000
Trade and bills receivables		
Fellow subsidiaries (note i)	368,414	—
Associates and joint ventures of the ultimate holding company (note i)	223,228	123,451
Subsidiaries of Red Star Macalline (note i)	195,784	12,871
Total	787,426	136,322
Deposits and other receivables		
Fellow subsidiaries (note ii)	893,949	192,311
Associates and joint ventures of the ultimate holding company (note ii)	67,291	38,672
Total	961,240	230,983
Prepayments		
Fellow subsidiaries (note ii)	—	719
Trade and bills payables		
Fellow subsidiaries (note iii)	4,148	8,520
Associates and joint ventures of the ultimate holding company (note iii)	1,918	682
Subsidiaries of Red Star Macalline (note iii)	57,643	11,753
Total	63,709	20,955

30. MATERIAL RELATED PARTIES TRANSACTIONS (CONTINUED)

(b) Related parties balances (continued)

	2022 RMB'000	2021 RMB'000
Other payables		
Fellow subsidiaries (note iv)	200,395	166,913
Associates and joint ventures of the ultimate holding company (note iv)	21,120	55,426
Total	221,515	222,339
Contract liabilities		
Fellow subsidiaries (note v)	49,097	49,066
Associates and joint ventures of the ultimate holding company (note v)	5,461	5,369
Subsidiaries of Red Star Macalline (note v)	9	5,211
Total	54,567	59,646

Notes:

(i) The balances were represented provision of property management services, community-value added services and value-added services to non-property owners and city services in accordance with the terms of the relevant services agreements which charged by the square meter of the service area and actual cost incurred. The amounts were due for payment upon the issuance of demand note.

(ii) The deposits were represented with deposit for exclusive sales representative agreements of refundable deposits to secure the sales collective of car parks, storge units and retail shops and amount will be refunded when the car park, storage units and retail shops are sold out. The other receivables were unsecured, interest free and receivable on demand.

(iii) The balances were represented purchases of services charged based on service agreement mutually agreed by contracted parties.

(iv) The other payables are unsecured, interest-free and payables on demand.

(v) The balances were represented advance payments from contracted parties in accordance with the terms of the relevant services agreements which charged by the square meter of the service area and actual cost incurred while the property management services or valued added services are yet to be provided.

31. LEASE LIABILITIES

Lease liabilities payable:

	2022	2021
	RMB'000	RMB'000
Not later than one year	11,219	11,250
Later than one year and not later than two years	8,780	4,927
Later than two years and not later than five years	5,906	4,252
Over five years	257	—
	26,162	20,429
Less: Amount due for settlement within 12 months shown under current liabilities	(11,219)	(11,250)
Amount due for settlement after 12 months shown under non-current liabilities	14,943	9,179

The weighted average incremental borrowing rates applied to lease liabilities range from 3.65% to 6.00% (2021: from 3.85% to 6.00%).

32. OPERATING LEASING ARRANGEMENTS

The Group as lessor

Certain of the properties held by the Group for rental purposes have committed lessees for the next 1 and 7 years respectively.

Undiscounted lease payments receivable on leases are as follows:

	2022	2021
	RMB'000	RMB'000
Within one year	4,352	—
In the second year	2,775	—
In the third year	1,279	—
In the fourth year	63	—
	8,469	—

33. COMMITMENTS

	2022	2021
	RMB'000	RMB'000
Commitments for the acquisition of property, plant and equipment and intangible assets	5,235	6,096

34. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Amount due to former shareholder	Dividend payables	Borrowings	Lease liabilities	Other payables
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2021	6,840	—	—	29,336	—
Change from financing cash flow					
- Repayments	(6,840)	(166,435)	(6,203)	(15,330)	(4,630)
- Interest paid	—	—	(9)	(1,213)	(312)
	(6,840)	(166,435)	(6,212)	(16,543)	(4,942)
Non-cash changes					
- New leases	—	—	—	6,423	—
- Accrued dividends	—	169,015	—	—	—
- Acquisition of subsidiaries (Note 26)	—	—	7,603	—	10,719
- Finance costs	—	—	9	1,213	312
	—	169,015	7,612	7,636	11,031
As at 31 December 2021	—	2,580	1,400	20,429	6,089
Change from financing cash flow					
- New borrowings raised	—	—	46,126	—	—
- Repayments	—	(414,760)	(31,133)	(14,068)	(4,688)
- Interest paid	—	—	(1,302)	(827)	(228)
	—	(414,760)	13,691	(14,895)	(4,916)
Non-cash changes					
- New leases	—	—	—	19,801	—
- Addition from sale and leaseback	—	—	7,806	—	—
- Accrued dividends	—	407,400	—	—	—
- Exchange loss	—	11,927	—	—	—
- Acquisition of subsidiaries (Note 26)	—	—	57,083	—	—
- Offsetting amount due from selling shareholder by Zhengzhou Jinyi	—	—	(5,119)	—	—
- Finance costs	—	—	1,302	827	228
	—	419,327	61,072	20,628	228
As at 31 December 2022	—	7,147	76,163	26,162	1,401

35. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, retained earnings and other reserves.

The directors of the Company review the capital structure on a continuous basis taking into account the cost of capital and the risk associated with the capital. The Group will balance its overall capital structure through the payment of dividends, new shares issue and share buy-back as well as the issue of new debts or redemption of existing debt, if necessary.

The management regards total equity as capital. The amount of capital as at 31 December 2022 and 2021 amounted to RMB4,832,654,000 and RMB4,691,738,000 respectively, which the management considers as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

36. FINANCIAL RISK MANAGEMENT

a. Categories of financial instruments

	2022	2021
	RMB'000	RMB'000
Financial assets		
Financial assets at amortised cost	4,774,768	5,254,979
Financial assets at FVTPL	400,030	—
Financial liabilities		
Amortised cost	1,878,938	1,366,205
Lease liabilities	26,162	20,429

b. Financial risk management objectives and policies

The Group's major financial instruments include trade and bills receivables, deposits and other receivables, financial assets at FVTPL, restricted cash, bank balances, deposits and cash, trade and bills payables, other payables and lease liabilities. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (currency risk, interest rate risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management of the Group manages and monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(a) Market risk

Currency risk

The Group mainly operated in the PRC with most of the transactions settled in RMB. The Group's foreign currency denominated monetary assets are mainly bank balances at the end of each reporting period and the carrying amounts are as follows:

	2022	2021
	RMB'000	RMB'000
Assets		
Hong Kong dollars	13,282	30,867
USD	6,291	6,110
	19,573	36,977

The following table details the Group's sensitivity to a 5% (2021: 5%) increase and decrease in RMB against the relevant foreign currency. The sensitivity rate used represents management's assessment of the reasonably possible change in foreign exchange rates. A positive number below indicates an increase in profit after taxation for the year where RMB weakens 5% against the relevant currency. For a 5% strengthening of RMB against the relevant currency, there would be an equal and opposite impact on the profit after taxation and the amounts below would be negative.

	2022	2021
	RMB'000	RMB'000
Profit after taxation	900	1,777

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure.

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to restricted cash (Note 20), bank balances and deposits (Note 20), borrowings (Note 23) and lease liabilities (Note 31). The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances (Note 20) and variable-rate borrowings (Note 23). The Group cash flow interest rate risk is mainly concentrated on the fluctuation of interest rates on bank balances and borrowings. The Group manages its interest rate exposures by assessing the potential impact arising from any interest rate movements based on interest rate level and outlook.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(a) Market risk (continued)

Interest rate risk (continued)

The Group has no significant interest - bearing assets and liabilities other than borrowings, restricted cash and bank balances and deposits. Management monitors the interest rate risk and performs sensitivity analysis on a regular basis.

Interest rate sensitivity

The sensitivity analyses below have been prepared based on the exposure to interest rates for non-derivative instruments (restricted cash, bank balances and deposits and borrowings). The analysis is prepared assuming the financial instruments outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis point increase or decrease for restricted cash, bank balances and deposits and borrowings are used when reporting interest rate risk internally to key management personnel and represent management's assessment of the possible change in interest rate in respect of bank balances and deposits respectively.

At the end of the reporting period, if interest rates had been increased/decreased by 50 basis points in respect of restricted cash, bank balances and deposits and borrowings, the Group's profit after taxation would increase/decrease by approximately RMB5,721,000 (2021: RMB16,184,000) for the year ended 31 December 2022.

Other price risk

The Group is exposed to equity price risk through its investments in equity securities measured at FVTPL. In addition, the Group also invested in several close-ended funds. The Group has appointed a special team to monitor the price risk and will consider hedging the risk exposure should the need arise.

Sensitivity analysis

The sensitivity analyses have been determined based on the exposure to equity price risk at the reporting date. For sensitivity analysis of equity securities with fair value measurement categorised within Level 1 and Level 2, the sensitivity rate is 5% in current year as a result of the volatile financial market.

If the prices of the respective equity instruments had been 5% higher/lower, the post-tax profit for the year ended 31 December 2022 would increase/decrease by RMB15,196,000 (2021: Nil) as a result of the changes in fair value of investments at FVTPL.

(b) Credit risk and impairment assessment

Credit risk refers to the risk that the Group's counterparties default on their contractual obligations resulting in financial losses to the Group. The Group's credit risk exposures are primarily attributable to trade and bills receivables, deposits and other receivables, restricted cash and bank balances and deposits. The Group does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risks associated with bills receivables is mitigated because settlement of bills receivables are backed by bills issued by reputable financial institutions.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

The Group performed impairment assessment for financial assets and other items under ECL model. The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade and bills receivables	Other items
Low risk	The counterparty has a low risk of default, and for trade and bills receivable, its aging is within 180 days	Lifetime ECL - not credit-impaired	12m ECL
Watch list	Debtor frequently repays after due dates but usually settle in full, and for trade and bills receivables, its aging is over 180 days but less than 1 year	Lifetime ECL - not credit-impaired	12m ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

The table below details the credit risk exposures of the Group's financial assets which are subject to ECL assessment:

	Notes	Internal Credit rating	External credit rating	12m or lifetime ECL	2022 Gross carrying amount	2021 Gross carrying amount
					RMB'000	RMB'000
Financial assets at amortised cost						
Trade and bills receivables (ii)	17	N/A	N/A	Life-time ECL (provision matrix)	1,071,286	677,208
		N/A	N/A	Life-time ECL (credit-impaired and provision matrix)	366,149	222,025
		Low risk	N/A	Life-time ECL	296,440	—
		Watch list	N/A	Life-time ECL	267,758	—
					2,001,633	899,233
Other receivables and deposits	18	Low risk	N/A	12m ECL	1,241,767	428,101
		Watch list	N/A	12m ECL	251,871	62,664
					1,493,638	490,765
Interest receivables	18	Loss	N/A	12m ECL	—	999
Restricted cash and bank balances and deposits (i)	20	Low risk	N/A	12m ECL	1,562,881	3,996,118

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(i) Restricted cash and bank balances and deposits

The Group expects that there is no significant credit risk associated with restricted cash, deposits and bank balances since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparties.

(ii) Trade and bills receivables

The Group has large number of customers and there was no concentration of credit risk. In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis. Monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts.

As part of the Group's credit risk management, the Group applies internal credit rating individually for trade and bills receivables due from fellow subsidiaries and subsidiaries of Red Star Macalline. For other party's trade and bills receivables, the Group using provision matrix based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade and bills receivables as at 31 December 2022 and 2021.

Trade and bills receivables	Third parties and other related parties						Fellow subsidiaries and certain related parties	Total
	Up to 1 year	1 to 2 year	2 to 3 year	3 to 4 year	4 to 5 year	Over 5 years		
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 31 December 2021								
Expected loss rate	7.3%	20.6%	34.4%	56.0%	71.6%	100.0%	4.6%	
Gross carrying amount	664,337	149,092	51,171	15,275	5,444	1,043	12,871	899,233
Loss allowance provision	48,579	30,640	17,622	8,549	3,898	1,043	586	110,917
At 31 December 2022								
Expected loss rate	7.5%	22.7%	36.8%	55.0%	71.7%	100.0%	5.4%	
Gross carrying amount	1,071,286	212,281	98,195	40,137	11,419	4,117	564,198	2,001,633
Loss allowance provision	80,754	48,242	36,158	22,072	8,193	4,117	30,373	229,909

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(iii) Deposits for exclusive sales representative agreements

The Group entered into exclusive sales representative agreements about sales of car parks and retail shops with the fellow subsidiaries and third parties. Pursuant to the agreements, certain deposits will be paid by the Group after the effective date of each agreement and will be settled in line with the car parks and retail shops sold out and transferred to third-party customers. For deposits for exclusive sales representative agreements, the management makes periodic individual assessment on the recoverability based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

	Deposits for exclusive sales representative agreements
	RMB'000
At 31 December, 2021	
Expected loss rate	2.1%
Gross carrying amount	227,924
Loss allowance provision	4,842
At 31 December, 2022	
Expected loss rate	3.0%
Gross carrying amount	1,265,619
Loss allowance provision	37,969

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

(iv) Other deposits and other receivables

Other deposits and other receivables mainly included or comprised other receivables from related parties, payments on behalf of property owners, deposits, interest receivables and others. For payments on behalf of property owners, the Group applies internal credit rating based on debtors' aging. For other deposits and other receivables other than payments on behalf of property owners, the management makes periodic individual assessment on the recoverability of these receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information.

Other deposits and other receivables	Other parties	Fellow subsidiaries	Total
	RMB'000	RMB'000	RMB'000
At 31 December, 2021			
Expected loss rate	6.3%	2.0%	
Gross carrying amount	261,934	907	262,841
Loss allowance provision	16,359	18	16,377
At 31 December, 2022			
Expected loss rate	7.3%	3.4%	
Gross carrying amount	219,009	9,010	228,019
Loss allowance provision	15,981	306	16,287

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(b) Credit risk and impairment assessment (continued)

As at 31 December 2022 and 2021, the loss allowance provision for trade and bills receivables and other receivables and deposits reconciles to the opening loss allowance for that provision as follows:

	Trade and bills receivables	Deposits for exclusive sales representative agreements	Other deposits and other receivables	Total
	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021	56,194	—	15,140	71,334
Provision for loss allowance recognised in profit or loss, net of reversal	56,141	4,842	1,237	62,220
Written-offs	(1,418)	—	—	(1,418)
At 31 December 2021 and 1 January 2022	110,917	4,842	16,377	132,136
Provision for loss allowance recognised in profit or loss, net of reversal	124,387	33,127	(90)	157,424
Written-offs	(5,395)	—	—	(5,395)
At 31 December 2022	229,909	37,969	16,287	284,165

(c) Liquidity risk

Ultimate responsibility for liquidity risk management rests with the directors of the Company, which has built an appropriate liquidity risk management framework for the management of the Group's short, medium and long-term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The following table details the Group's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

36. FINANCIAL RISK MANAGEMENT (CONTINUED)

b. Financial risk management objectives and policies (continued)

(c) Liquidity risk (continued)

The table includes both interest and principal cash flows.

	Range of Interest rate	Carrying amount	Total contractual undiscounted cash flows	Within one year or on demand	More than 1 year but less than 2 years	More than 2 years but less than 5 years	More than 5 years
		RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2021							
Trade and bills payables	—	586,364	586,364	586,364	—	—	—
Borrowings	4.00%	1,400	1,404	1,404	—	—	—
Other payables	Nil - 8.05%	753,969	754,247	752,827	1,420	—	—
Consideration payables	3.80% - 16.40%	24,472	27,366	6,503	7,185	13,678	—
Lease liabilities	3.85% - 6.00%	20,429	21,547	11,914	5,217	4,416	—
		1,386,634	1,390,928	1,359,012	13,822	18,094	—
As at 31 December 2022							
Trade and bills payables	—	1,002,163	1,002,163	1,002,163	—	—	—
Borrowings	4.50% - 6.50%	76,163	95,679	32,037	11,545	19,457	32,640
Other payables	Nil - 6.00%	825,252	825,269	825,269	—	—	—
Consideration payables	3.80% - 16.40%	21,626	22,863	9,185	8,109	5,569	—
Lease liabilities	3.65% - 6.00%	26,162	27,593	12,020	9,183	6,128	262
		1,951,366	1,973,567	1,880,674	28,837	31,154	32,902

37. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined, as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

In estimating the fair value, the Group uses market-observable data to the extent it is available.

Financial instrument	Fair values as at		Fair value hierarchy	Valuation technique(s) and key input(s)
	31 December 2022	31 December 2021		
Equity instruments classified as financial assets at FVTPL - listed equity securities in Hong Kong	RMB15,590,000	Nil	Level 1	Quoted bid prices in an active market
Unlisted equity securities funds classified as financial assets at FVTPL	RMB384,440,000	Nil	Level 3	Fund net asset value

There were no transfers between Level 1 and 2 during the year.

Fair value of the Group's financial assets and liabilities that are not measured at fair value on a recurring basis

The directors consider that the carrying amounts of financial assets and financial liabilities measured at amortised cost in the consolidated financial statements approximate their fair values.

38. EVENT AFTER THE REPORTING DATE

In December 2022, Beijing Dayi entered into the framework agreement with a third party, Shanghai Yunhe Business Consulting Co., Ltd.* (上海韻赫商務諮詢有限公司), regarding the acquisition of the 90% equity interest in Beijing Hangteng Property Management Co., Ltd.* (北京航騰物業管理有限責任公司) ("Beijing Hangteng") at the consideration of RMB58,124,000, which was included in prepayment and other receivables at 31 December 2022. Beijing Hangteng is principally engaged in property management and other community services. This acquisition was completed in January 2023. The goodwill arising on the acquisition recognised by the Company was RMB33,516,000 after the reporting period.

* For identification purposes only

FINANCIAL SUMMARY

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	6,276,479	4,702,816	3,119,563	1,877,822	1,075,830
Profit for the year	575,892	692,535	442,616	248,954	100,240
Attributable to:					
Owners of the Company	480,111	617,014	390,372	223,845	100,521
Non-controlling interests	95,781	75,521	52,244	25,109	(281)

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	8,043,127	7,266,492	4,667,167	2,478,100	1,492,860
Total liabilities	3,210,473	2,574,754	1,649,732	1,250,170	590,260
Net assets	4,832,654	4,691,738	3,017,435	1,227,930	902,600
Equity attributable to owners of the Company	4,595,947	4,443,813	2,893,434	1,147,897	898,931
Non-controlling interests in equity	236,707	247,925	124,001	80,033	3,669