越秀服務集團有限公司
YUEXIU SERVICES GROUP LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 6626

WHERE GOOD SERVICE STARTS

ANNUAL REPORT 2022

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

NON-EXECUTIVE DIRECTORS

Mr. Lin Feng *(Chairman)*
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan

EXECUTIVE DIRECTORS

Mr. Zhang Jianguo
Mr. Mao Liangmin
Mr. Zhang Jin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

BOARD COMMITTEES

AUDIT COMMITTEE

Ms. Hui Lai Kwan *(Chairlady)*
Mr. Hung Shing Ming
Mr. Chan Yuen Hang Kenneth

REMUNERATION COMMITTEE

Mr. Hung Shing Ming *(Chairman)*
Mr. Lin Feng
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

NOMINATION COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

INVESTMENT COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Mao Liangmin
Mr. Zhang Jin
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan
Mr. Hung Shing Ming

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

COMPANY SECRETARY

Mr. Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
and Registered Public Interest Entity Auditor

PRINCIPAL BANKERS

Agricultural Bank of China Limited
China Construction Bank Corporation
Bank of China (Hong Kong) Limited
Bank of Guangzhou Co., Ltd.
China Everbright Bank Co., Ltd., Hong Kong Branch

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

26/F, Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

SHARE REGISTRAR

Tricor Investor Services Limited
17/F, Far East Finance Centre
16 Harcourt Road, Hong Kong

LEGAL ADVISER AS TO HONG KONG LAWS

King & Wood Mallesons

COMPLIANCE ADVISER

Fortune Financial Capital Limited

INVESTOR RELATIONS

For further information of Yuexiu Services Group Limited,
please contact: Ms. Swan Wan
Email: ir@yuexiuproperty.com

STOCK CODE

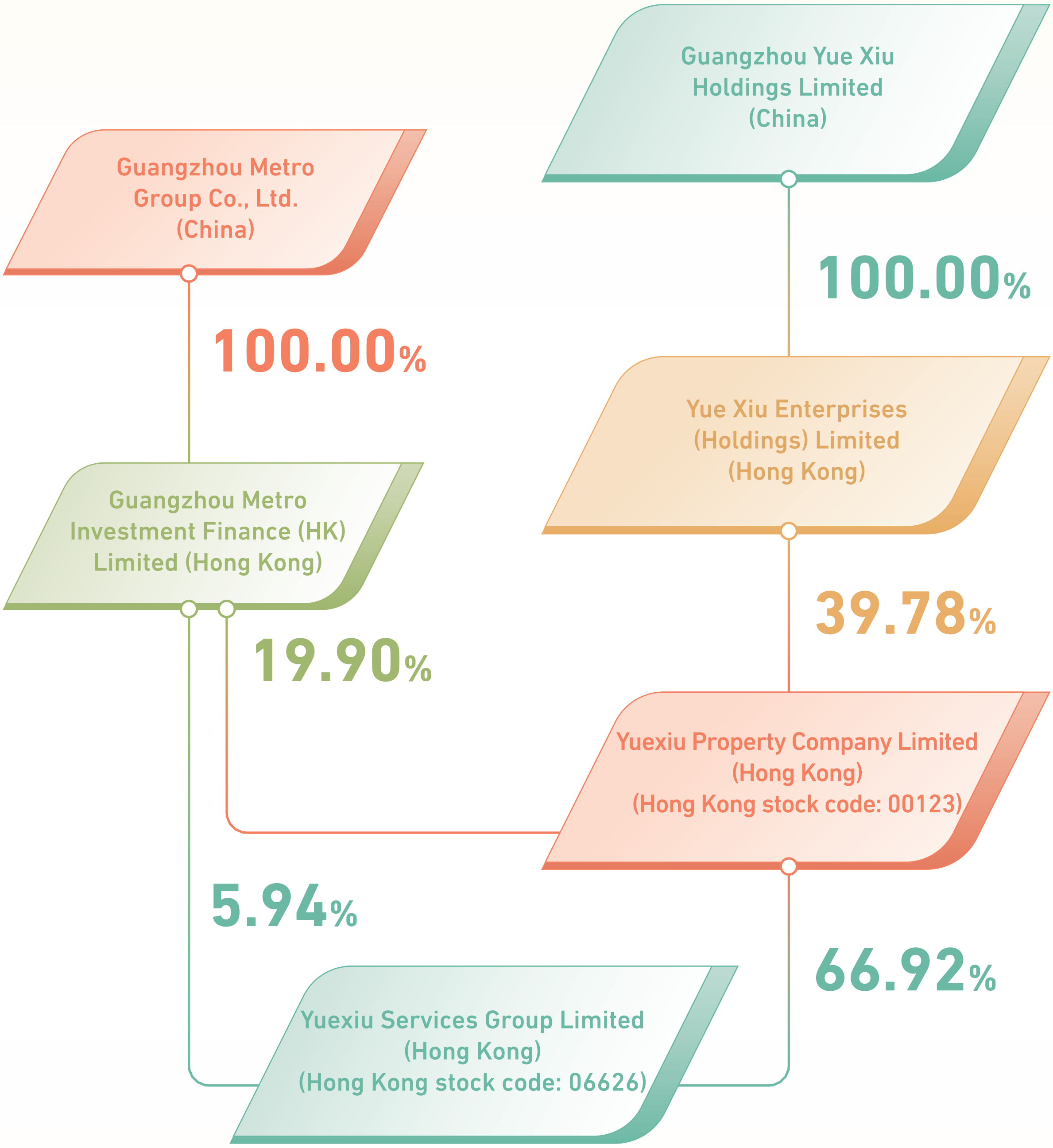
6626

WEBSITES TO ACCESS COMPANY INFORMATION

www.yuexiuservices.com
www.irasia.com/listco/hk/yuexiuservices/
www.hkexnews.hk

CORPORATE STRUCTURE

(As of 31 December 2022)



FINANCIAL SUMMARY

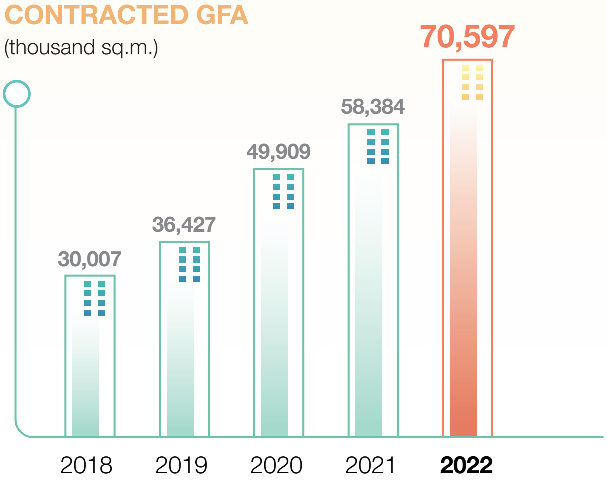
	For the year ended 31 December				
	2022	2021	2020	2019	2018
Total Revenue (RMB million)	**2,486**	1,918	1,168	896	763
Gross profit (RMB million)	**679**	671	403	243	198
Gross profit margin (%)	**27.3%**	35.0%	34.5%	27.2%	25.9%
Net profit* (RMB million)	**424**	370	204	93	47
Net profit margin* (%)	**17.1%**	19.3%	17.4%	10.4%	6.2%
Earnings per share (RMB)	**0.27**	0.27	0.20	0.09	0.04
Dividend per share (RMB)	**0.096**	0.083	—	—	—
Dividend per share (HKD)	**0.109**	0.102	—	—	—

* Net profit = profit for the year; net profit margin = profit for the year/total revenue *100%

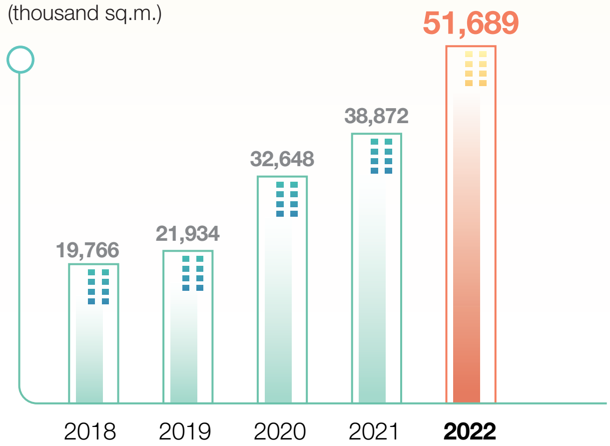
	As at 31 December				
(RMB million)	**2022**	2021	2020	2019	2018
Assets					
Non-current assets	**530**	490	535	211	224
Current assets	**5,418**	4,641	1,876	2,756	2,477
Total assets	**5,948**	5,131	2,411	2,967	2,701
Equity					
Equity attributable to owners of the Company	**3,223**	2,932	615	259	171
Non-controlling interests	**168**	158	146	9	13
Total equity	**3,391**	3,090	761	268	184
Liabilities					
Non-current liabilities	**536**	498	94	973	1,086
Current liabilities	**2,021**	1,543	1,556	1,726	1,431
Total liabilities	**2,557**	2,041	1,650	2,699	2,517
Total equity and liabilities	**5,948**	5,131	2,411	2,967	2,701

RESULTS HIGHLIGHTS

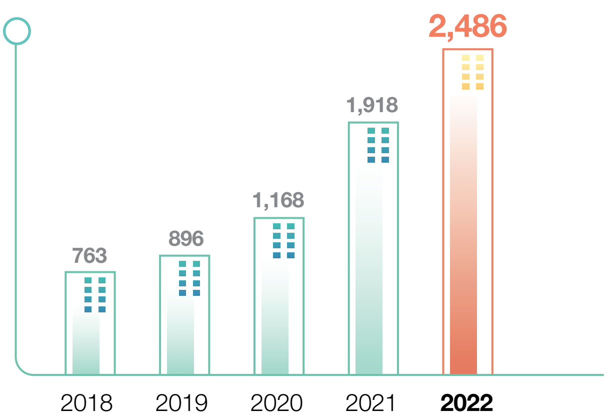
CONTRACTED GFA
(thousand sq.m.)



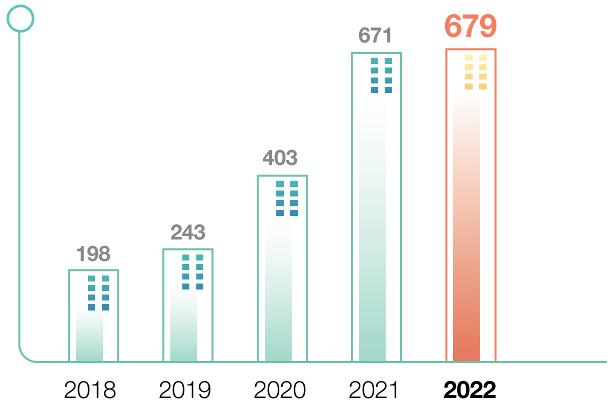
GFA UNDER MANAGEMENT
(thousand sq.m.)



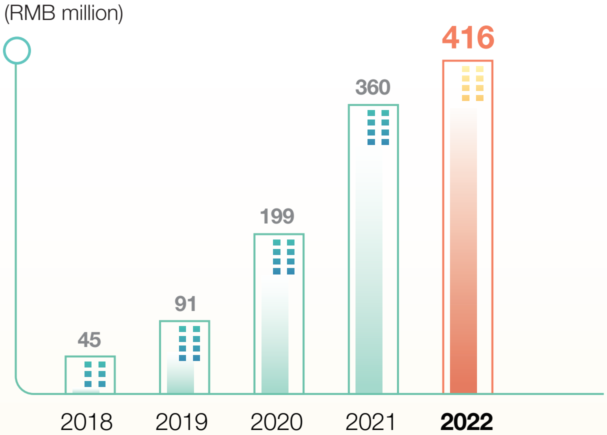
TOTAL REVENUE
(RMB million)



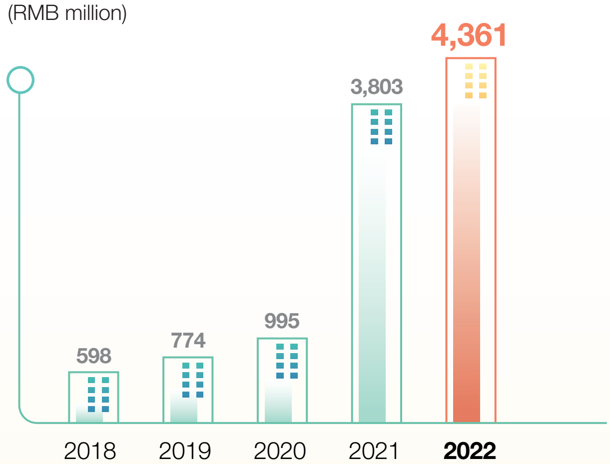
GROSS PROFIT
(RMB million)



PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB million)



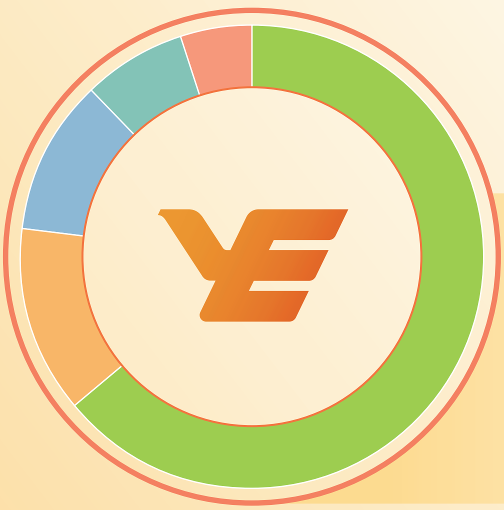
CASH AND CASH EQUIVALENTS
(RMB million)



NATIONWIDE PRESENCE

(As of 31 December 2022)

37 cities and Hong Kong



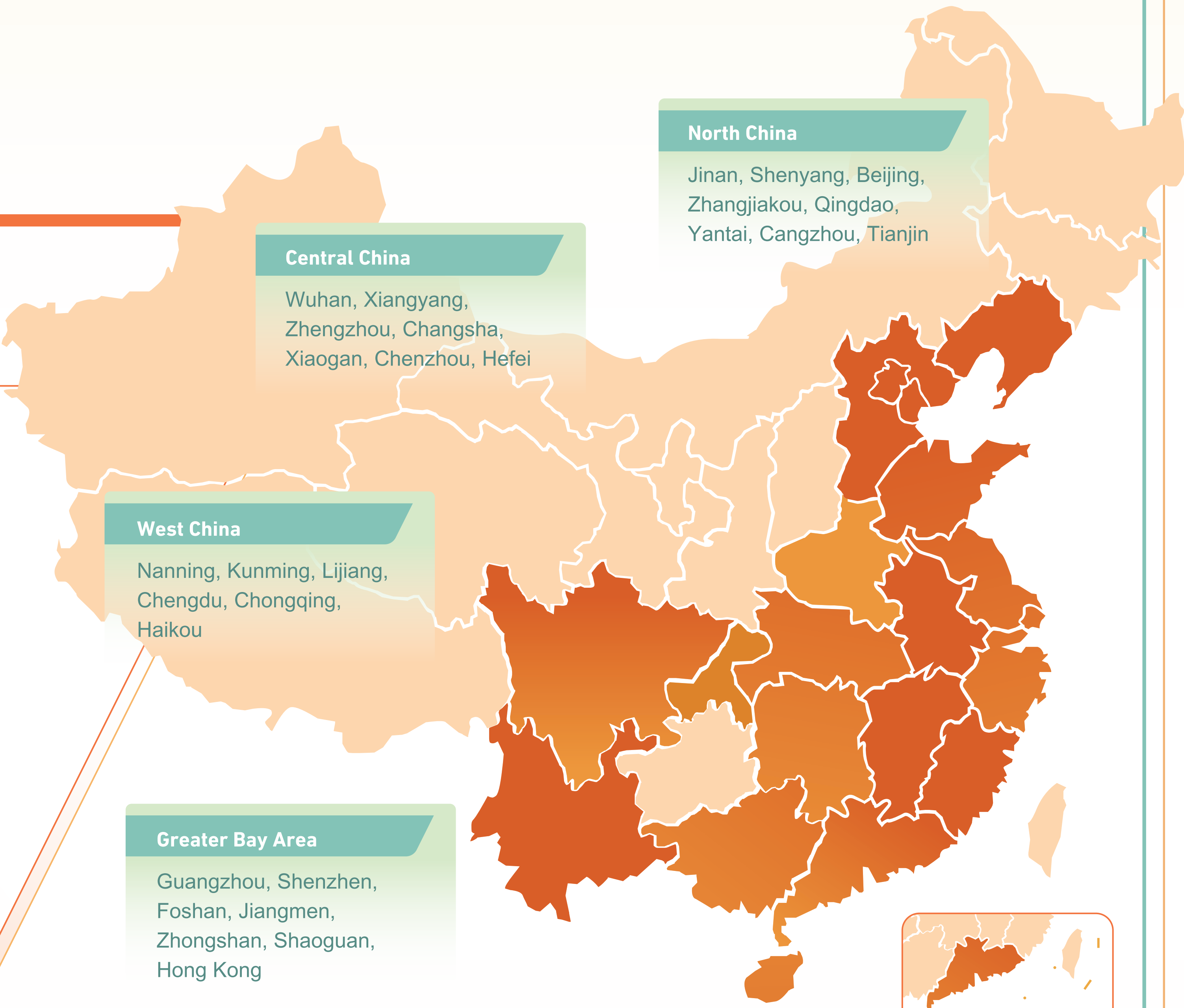
As of 31 December 2022

Greater Bay Area:	**44.95** million sq.m.	**64%**
East China:	**9.11** million sq.m.	**13%**
Central China:	**8.04** million sq.m.	**11%**
North China:	**5.10** million sq.m.	**7%**
West China:	**3.40** million sq.m.	**5%**

Contracted GFA 70.60 million sq.m.

NATIONWIDE PRESENCE

(As of 31 December 2022)



North China

Jinan, Shenyang, Beijing, Zhangjiakou, Qingdao, Yantai, Cangzhou, Tianjin

Central China

Wuhan, Xiangyang, Zhengzhou, Changsha, Xiaogan, Chenzhou, Hefei

West China

Nanning, Kunming, Lijiang, Chengdu, Chongqing, Haikou

Greater Bay Area

Guangzhou, Shenzhen, Foshan, Jiangmen, Zhongshan, Shaoguan, Hong Kong

East China

Hangzhou, Suzhou, Jiaxing, Nantong, Wuxi, Ningbo, Fuzhou, Jingdezhen, Nanjing, Shanghai

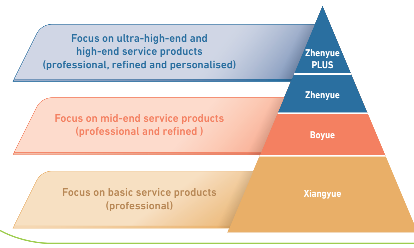
2022 MAJOR EVENTS

30TH ANNIVERSARY CELEBRATION ACTIVITIES

- We held a theme activity to celebrate our 30th anniversary and carried out more than 60 community renovation projects, more than 800 social and cultural activities to build a revitalised community and provided nearly 1,000 community convenience services, with the participation of more than 100,000 property owners

LAUNCH OF THREE CLASSES OF RESIDENTIAL PRODUCT LINES

- We launched three classes of residential product lines, namely "Zhenyue (臻越)", "Boyue (鉑越)" and "Xiangyue (享越)" to provide professional, refined and personalised services by differentiating our services based on pricing, service scope and service settings



WINNING THE BID OF FUZHOU METRO TOD PROJECT

- We won the bid of TOD comprehensive property management service for Line 2 of Fuzhou Metro, marking the beginning of our nationwide external expansion

LAUNCH OF OWN PROPRIETARY BRANDS "YUEXIU HOUSEKEEPING SERVICES (越福到家)" AND "YUEFULI. (越福禮)"

- We launched our own community value-added service brands, "Yuexiu Housekeeping Services (越福到家)" and "YUEFULi. (越福禮)", and gradually expanded our market coverage in the Greater Bay Area, East China and Central China

越福到家
Yuexiu Housekeeping Services
越福礼 YUEFULi. ™

UPGRADE OF COMMUNITY COMMERCIAL SERVICE BRAND - "LIVING FUN (悅匯時光)"

- We further upgraded our community commercial service brand, "Living Fun (悅匯時光)", to version 3.0, creating a community business platform focusing on living, culture and social interaction

SHOWCASE OF SMART EXHIBITION HALL AT THE GUANGZHOU SMART PROPERTY MANAGEMENT EXPO

- We showcased a smart exhibition hall under the theme of "Mutual Trust and Cooperation for Common Progress (互信共生攜手共進)" at the 3rd Guangzhou Smart Property Management Expo

FIGHTING AGAINST THE PANDEMIC

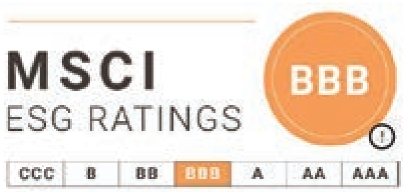
- We mobilised nearly 4,000 people in more than 45 groups to support the communities to fight against the pandemic in Guangzhou and rendered a total of 48,000 hours of voluntary service

RANKING 14TH AMONG TOP 100 PROPERTY MANAGEMENT COMPANIES IN 2022

- We were accredited by China Index Academy and ranked 14th among the 2022 Top 100 Property Management Companies in China (2022中國物業服務百強企業第14位)

PUBLICATION OF THE FIRST ESG REPORT

- We published our first ESG report which was awarded with MSCI BBB rating



ADMISSION AS A CONSTITUENT STOCK OF THE MSCI CHINA SMALL CAP INDEX

MSCI

- We were admitted as a constituent stock of the MSCI China Small Cap Index in May 2022

AWARDS AND HONOURS

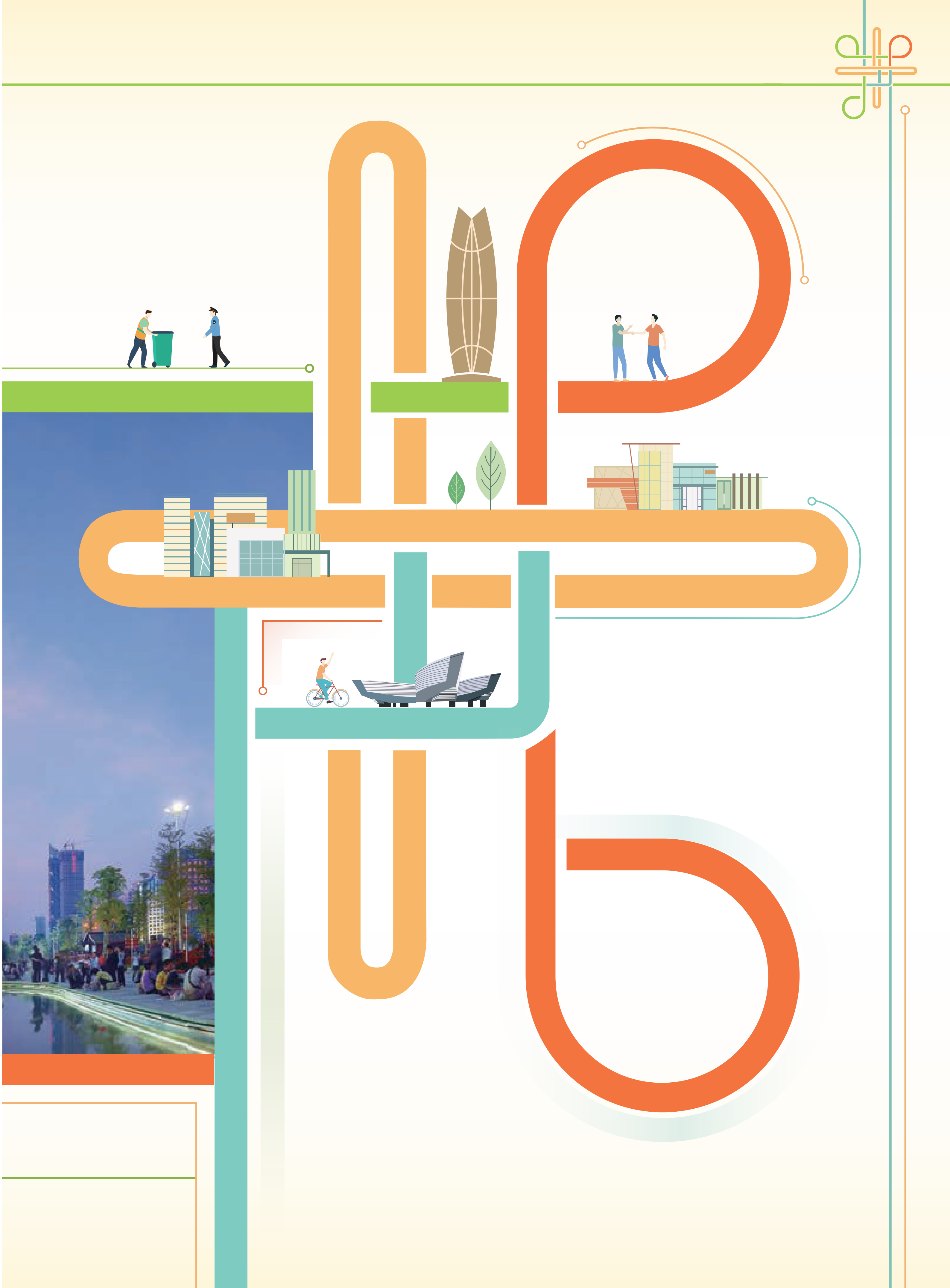





Honours and Awards	Organisers
14th among the Top 100 Property Management Companies in China (中國物業服務百強企業第14位)	*China Index Academy*
10th among China's Listed Property Management Companies in terms of Comprehensive Strength (中國物業服務上市公司綜合實力第10位)	
Outstanding Commercial Property Management Company in China (中國商業物業管理優秀企業)	
Leading High-end Property Management Company in China (中國高端物業服務領先企業)	
7th among China's Property Management Exceptional Companies in ESG Development (中國物業服務ESG發展優秀企業第7位)	
Top 100 Leading Property Management Companies in China in terms of Service Quality (中國物業服務百強服務質量領先企業)	
Leading Property Management Company in Guangdong-Hong Kong-Macao Greater Bay Area (粵港澳大灣區物業服務市場地位領先企業)	
Property Management Benchmark Project in Guangzhou (Yuexiu Starry Garden) (廣州市物業服務標杆項目 (越秀星匯園))	

Honours and Awards	Organisers
No. 7 among China's Property Management Companies in terms of Brand Influence (中國物業服務品牌影響力企業NO.7)	*China Real Estate Business (中國房地產報社), China Institute of Urban and Regional Governance (中國城市與區域治理研究院)*
Top 20 among Commercial Building Management Companies by Service Capability (商業物業服務力TOP20企業) Top 20 among Office Building Management Companies by Service Capability (辦公物業服務力TOP20企業)	*CRIC Property Management (克而瑞物管), Shanghai E-house Real Estate Research Institute (上海易居房地產研究院)*
Top 6 among China's Top 50 State-owned Property Management Companies in terms of Overall Strength (中國國有物業服務企業綜合實力50強TOP6)	*CRIC Property Management, China Property Management Research Institution*
China's Outstanding Listed Property Management Company in ESG Practice (中國物業服務上市公司ESG實踐優秀企業)	*China Index Academy*
Guangdong-Hong Kong-Macao Greater Bay Area Property Service Brand Enterprise (粵港澳大灣區物業服務品牌企業) Pioneer Enterprise to Fight Against Pandemic in Guangdong Property Management Industry (廣東物業管理行業抗疫先鋒企業)	*Guangdong Property Management Industry Association*
Top 30 Newly Listed Companies in Hong Kong (港股100強之新股30強)	*Top 100 Hong Kong Listed Companies Research Centre*

CHAIRMAN'S STATEMENT



CHAIRMAN'S STATEMENT

Mr. Lin Feng
Chairman of the Board

Dear Shareholders,

2022 marked the 30th anniversary of the establishment of Yuexiu Services Group Limited (the "**Company**") and its subsidiaries (the "**Group**"). Over the past 30 years, the Group has been focusing on improving the quality of life for customers by providing professional and dedicated property management services.

INDUSTRY REVIEW

In 2022, the global economy was overshadowed by the risks of high inflation and recession. The business environment of the property management industry was challenging due to the pressure of the economic downturn in the People's Republic of China (the "**PRC**" or "**China**"), the spread of the COVID-19 pandemic across the country, and the exacerbated credit risks of some property developers in the PRC. Growth in property management companies' operating results decelerated from the previous rapid increase while their property management operation scale and profit growth rate declined. However, opportunities came amid challenges. In late 2022, the regulatory authorities in the PRC relaxed the relevant requirements to enable property developers to obtain liquidity support such as bank loans, bond financing and equity financing, so as to promote the stable and healthy development of the property market, stabilise the overall economic and social development, and drive the recovery of the property management industry.

Furthermore, as property management services are closely related to people's livelihood, the PRC government has continuously introduced policies and guidance to standardise the industry, and encouraged the development of community value-added services, which has further created a broader development space for the industry. In early 2022, the General Office of the State Council issued the "14th Five-year Plan for the Construction of Urban and Rural Community Service System" (the "**Plan**"), which advocated the 15-minute urban community life circles. The Plan proposed channeling the resources of both the market and the society to the development of community services, such as childcare and elderly care, and encouraged the development of property management services and other living services such as home maintenance, housekeeping, catering, retail, hairdressing and beauty treatment. The Plan also encouraged the introduction of professional property management services.

While focusing on raising the quality of service, property management companies have also stepped up their efforts to enrich service offerings, extend service scopes, participate in urban construction and community developments, and improve the overall operational efficiency.

BUSINESS REVIEW

STEADY GROWTH IN OPERATING RESULTS

In 2022, the Group continued to improve its service quality to meet customers' rising demands. The Group sought business development opportunities that were aligned with its key focuses of "reinforcing the management, enhancing capabilities and raising quality" and its business strategies of "improving core property management services, enhancing value-added services, and expanding business actively" and achieved steady growth in operating results.

In 2022, the Group recorded a revenue of RMB2,486.2 million, representing an increase of 29.6% compared to the year ended 31 December 2021 (the "**Previous Year**"). Gross profit margin was 27.3% for the year ended 31 December 2022 (the "**Year**"). Profit attributable to owners of the Company for the Year was RMB416.1 million, representing a year-on-year increase of 15.7%. The board (the"**Board**") of directors (the "**Directors**") of the Company has proposed to declare a final dividend of HK$0.109 per share of the Company ("**Share**") (equivalent to RMB0.096 per Share) for the Year.

CHAIRMAN'S STATEMENT

ENHANCING PROPERTY MANAGEMENT SERVICES' QUALITY AND CAPABILITIES

Property management companies operate under the fundamental principles of providing high-quality services, maintaining good reputation and enhancing professional image.

In 2022, the Group continued to invest in enhancing its property management services' quality and capabilities, while differentiating its services based on pricing, service scope and service settings. The Group launched three classes of residential property management product lines namely "Zhenyue (臻越)", "Boyue (鉑越)" and "Xiangyue (享越)" to provide professional, refined and personalised services:

(i) "Zhenyue" series focuses on high-end and ultra-high-end service products.

(ii) "Boyue" series focuses on mid-end service products.

(iii) "Xiangyue" series focuses on basic service products.

These product lines meet the needs of different property owners for quality living, and enhance the Group's property management services' quality and capabilities.

For commercial property management, the Group continued to enhance its capabilities for providing professional commercial operation services for high-end office buildings. In 2022, the Group continued to focus on customer needs, and diversified its value-added service offerings by launching office environment management, equipment and facility maintenance, safety management, administration and logistics and other services to improve customer satisfaction and experience.

The Group has also established a quality supervision system to strengthen the on-site supervision and intelligent monitoring of its services. It also received and addressed customers' requests through diversified communications channels. According to a survey by a third-party research institution, the overall residential customers' satisfaction score significantly improved to 92.1 and the overall commercial property customers' satisfaction score was 97.6.

In 2022, the Group was accredited by China Index Academy and ranked "14th amongst the Top 100 Property Management Companies in China for 2022 (2022中國物業服務百強企業第14位)", "10th amongst China's Listed Property Management Companies in terms of Comprehensive Strength for 2022 (2022中國物業服務上市公司綜合實力第10位)", and "7th amongst China's Property Management Exceptional Companies in terms of ESG Development for 2022 (2022中國物業服務ESG發展優秀企業第7位)". The Company was also admitted as a constituent stock of the MSCI China Small Cap Index in May 2022.

ENHANCING INVESTMENT AND BUSINESS DEVELOPMENT CAPABILITIES TO FACILITATE INVESTMENTS AND MARKET DEVELOPMENTS

In 2022, the Group comprehensively reorganised its management system for investments and business developments. By doing so, the Group has been able to identify the strategic direction for selecting cities and business types before investments and optimise the project incentive mechanisms; strictly implement the project quality management during investments to ensure profitability of projects; and improve the closed-loop management of the project management system after investments to facilitate high-quality and large-scale market expansions.

The Group continues to leverage its expertise in transit-oriented development ("**TOD**") property management and successfully won bids for TOD property management services of Line 2 of Fuzhou Metro, Line 6 of Changsha Metro, Line 4 of Qingdao Metro and Line 1 of Lijiang Metro in the Year. These successful bids were a breakthrough for the Group, by expanding the market coverage of its TOD property management business beyond Guangzhou and consolidating the foundation for the market-oriented development of its TOD property management business on a large scale. The Group also won bids for the property management services of the new Guangzhou Cultural & Arts Centre, Yantai Xihaian Hospital and other projects, thus further expanding its presence in the property management services market of public premises, hospitals and other types of facilities, and enhancing its capabilities to serve different market segments of diverse sectors.

In 2022, the Group entered into contracts for 84 new projects with new contracted gross floor area ("**GFA**") of 13.1 million sq.m., setting foot in new cities such as Tianjin, Kunming, Fuzhou, Nanning and Lijiang to further refine its business presence in core areas and improving management intensity. In October 2022, the Group completed its first acquisition since its listing by acquiring the entire equity interest in Guangzhou Bingxin Property Management Co., Ltd.* (廣州市秉信物業管理有限公司), a subsidiary of Guangzhou Chimelong Group Co., Ltd., at a total consideration of RMB9.5 million, and thus acquired new contracted GFA of approximately 790,000 sq.m..

As of 31 December 2022, the Group had 323 projects under management with a total GFA under management of 51.7 million sq.m. and was contracted to manage 387 projects with contracted GFA of 70.6 million sq.m.. The Group has built nationwide market coverage with the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**") as its core market and a strong business presence in eastern, central, northern and western China, with contracted projects in 37 cities and Hong Kong.

ENHANCING VALUE-ADDED SERVICES TO DIVERSIFY INCOME SOURCES

Focusing on its internal resources and competitive strengths, the Group has been further developing five business platforms, including "Home-living services", "Home decoration", "Agency", "Technology" and "Community commercial services", with the aim of building a comprehensive service ecosystem to meet customers' needs and provide high-quality value-added services.

For home-living services, in 2022 the Group further enriched the product offering categories for its new retail business, and stepped up promotional activities during major Chinese festivals such as Dragon Boat Festival and Mid-Autumn Festival through both online and offline channels. This effectively boosted sales volumes of the new retail business. Meanwhile, the Group established its own brand of home-living services, "Yuexiu Housekeeping Services (越福到家)", which provided cleaning, housekeeping and home maintenance services to residents, thus further expanding its business of community value-added services.

For agency business, based on the development of its carpark space sales assistance service, the Group acquired the rights-of-use of carpark spaces for trading for the first time, with a view to gaining greater control over the timing and pricing of the sale, thus expanding the Group's income source and increasing its profits.

The Group has also developed its business in providing intelligent products, video surveillance software system development services and related design and consultancy services for newly developed buildings, as well as promoting integrated solutions for smart buildings.

INTRODUCING SHARE OPTION SCHEME TO INDUCE VITALITY IN THE COMPANY'S DEVELOPMENT

In 2022, the Group proposed to adopt a share option scheme (the "**Share Option Scheme**"), under which (and subject to the adoption conditions being satisfied):

(i) share options in aggregate not exceeding 10% of the Shares in issue could be granted;

(ii) share options in aggregate representing 1% of the Shares in issue were conditionally granted to 39 members of the senior management and key personnel of business under the initial grant proposal; and

CHAIRMAN'S STATEMENT

(iii) following the grant of the share options, the granted share options could be vested in and become exercisable by the grantees only if vesting conditions were satisfied in three tranches for the next three years. The vesting conditions included return on equity attributable to shareholders of the Company (the "**Shareholders**") after deducting non-recurring gain or loss, growth rate of net profit attributable to Shareholders after deducting non-recurring gain or loss, receivables turnover ratio and the proportion of cash dividend.

The Share Option Scheme is conducive to refining the Group's governance structure and enhancing its medium to long-term incentive mechanisms, so as to further motivate the core management and support the Group's long-term development.

The Share Option Scheme has been approved by a high majority of the Shareholders at the general meeting held on 15 February 2023 and the initial grant will become effective after obtaining the approval of Guangzhou State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

OUTLOOK

In 2023, in alignment with the government's pandemic prevention and control policies, the domestic economy and consumption's recovery is expected to accelerate, while the property sector is expected to gradually return to orderly development, facilitating property management industry's transition from the pursuit of rapid growth in scale to high-quality and sustainable developments. It is expected that outstanding property management companies will continue to focus on improving their service quality, increasingly provide value-added services in their existing projects, enhancing their market development capabilities, actively develop their innovative businesses and further accelerate the use of intelligent solutions, in order to gain further advantages and differentiations with market competition.

In 2023, with its vision of becoming a trusted service company, the Group will press ahead with its strategy of "One Focus, Four Business Types, Four Value-added Services and Five Capabilities (一四四五)". In addition to focusing on its property management expertise and pursuing excellence in the provision of property management services for property owners and tenants, the Group will also continue to consolidate its position as a professional provider of living services and meet the diversified needs of relevant communities.

CONSOLIDATING "ONE FOCUS" TO CONSISTENTLY ENHANCE THE SERVICE QUALITY

The Group will continue to implement tailor-made product and service system. To ensure customer satisfaction, the Group will continue to improve its service quality and bring professional and excellent service experience to its customers. Furthermore, the Group will implement service standards, leverage its market leadership in benchmark projects, improve service efficiency and strengthen quality supervision, thereby building up its core competitiveness and its market reputation for distinctive, differentiated and intelligent services.

FOCUSING ON THE "FOUR BUSINESS TYPES" TO ACHIEVE HIGH-QUALITY AND LARGE-SCALE GROWTH

Focusing on the provision of property management services in four main areas namely residential properties, commercial properties, mass transportation and urban services, the Group will leverage its resources and strengths as a state-owned enterprise, optimise its cooperation model, target core cities, plan its strategy to penetrate regional market, refine the system for the collection and management of market information, enhance the post-investment management function, and achieve high-quality growth on a large scale through organic growth, external business expansion and mergers and acquisitions.

STRENGTHENING THE "FOUR VALUE-ADDED SERVICES" AND PLANNING FOR A PATTERN OF INDUSTRIAL DEVELOPMENTS

Focusing on the needs of customers, businesses and the government, the Group will continue optimising the coordination of its internal resources, while developing products and services to meet the real needs of customers. The Group will provide asset management and convenient living services to meet customers' needs; provide space management and logistics services that satisfy the needs of relevant institutions and enterprises as they develop; provide tenant sourcing services and commercial property operation services for businesses that provide amenities for communities; and help develop smart cities and communities through the provision of intelligent home-living services.

ENHANCING THE "FIVE CAPABILITIES" TO IMPROVE THE QUALITY OF OPERATION

The Group will continue to strengthen its infrastructure and forge ahead with the optimisation of its organisational management, with a view to consistently improving the efficiency and quality of its business operations, by enhancing its capabilities in the following areas:

(i) investment, market development and post-investment management, with a focus on key cities, business types and projects to promote the city partner mechanism;

(ii) management of relationships with the supply chain and business partners, so as to integrate quality resources with the aim of pursuing mutual growth and development;

(iii) establishment, management and operation of digital intelligence management services, in order to enhance its operation capabilities;

(iv) business management and talent cultivation, in order to optimise the Group's talent structure, enrich talent reserves and improve its incentive mechanisms; and

(v) risk management and control, to ensure the stable development of its operations.

While driving high-quality development, the Group also attaches importance to sustainability management. It actively assumes corporate social responsibilities and fulfills its obligations as a state-owned enterprise, seeking to maximize the overall value of the economy, society and environment.

With a long-term perspective and adherence to its business strategies, the Group will continue to enhance both customer satisfaction and brand recognition through high-quality services and products, with the aim of strengthening the Group's core competitiveness and "becoming a trusted service company".

ACKNOWLEDGEMENTS

We would like to express our sincere gratitude to our Shareholders, partners and customers for their support and to all our staff for their hard work and dedication, which have led to the Group's achievements and development.

Mr. Lin Feng
Chairman of the Board

MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

OVERVIEW

The Group is one of the leading property management companies in the Greater Bay Area. The Group is committed to providing diversified and integrated services covering various types of properties, including residential properties, shopping malls, office buildings, public facilities, urban railways, metro stations and metro depots. Its major businesses comprise:

(i) non-commercial property management and value-added services, which consist of property management services, value-added services to non-property owners and community value-added services; and

(ii) commercial property management and operational services, which consist of commercial operation and management services and market positioning consultancy and tenant sourcing services.

For the Year, the Group's revenue amounted to RMB2,486.2 million, representing an increase of 29.6% as compared to RMB1,918.4 million for the Previous Year. The Group's profit attributable to owners of the Company for the Year was RMB416.1 million, representing an increase of 15.7% as compared to RMB359.5 million for the Previous Year.

As of 31 December 2022, the Group had 323 projects under management with a total GFA under management of 51.7 million sq.m. (31 December 2021: 38.9 million sq.m.), representing a growth of 33.0%; it was contracted to manage 387 projects with a total contracted GFA of 70.6 million sq.m. (31 December 2021: 58.4 million sq.m.), representing a growth of 20.9%. The table below sets forth the movement of the Group's contracted GFA and GFA under management for the years indicated.

	Year ended 31 December			
	2022		2021	
	Contracted GFA[1]	**GFA under management[2]**	Contracted GFA	GFA under management
	(sq.m. in thousands)		*(sq.m. in thousands)*	
As of the beginning of the year	**58,384**	**38,872**	49,909	32,648
New engagements	**12,300**	**13,245**	10,218	7,967
Acquisitions	**787**	**446**	—	—
Terminations	**(874)**	**(874)**	(1,743)	(1,743)
As at the end of the year	**70,597**	**51,689**	58,384	38,872

Notes:

(1) Contracted GFA means gross floor area currently being managed or to be managed by the Group under signed property management service contracts.

(2) GFA under management means gross floor area currently being managed by the Group under signed property management service contracts.

As of 31 December 2022, projects contracted to be managed by the Group covered 37 cities in the PRC and Hong Kong.

The table below sets forth a geographical breakdown of the Group's contracted GFA and GFA under management as of the dates indicated.

	As of 31 December			
	2022		2021	
	Contracted GFA	GFA under management	Contracted GFA	GFA under management
	(sq.m. in thousands)		*(sq.m. in thousands)*	
Greater Bay Area	44,946	32,316	40,961	28,513
East China Region	9,111	7,848	6,116	4,225
Central China Region	8,039	5,592	5,765	2,587
North China Region	5,098	3,786	4,612	3,184
West China Region	3,403	2,147	930	363
Total	70,597	51,689	58,384	38,872

NON-COMMERCIAL PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES

The Group provides a wide spectrum of property management services and value-added services to non-commercial properties, which primarily comprise residential properties, TOD properties, public premises and industrial parks. In particular, it offers:

- **Property management services.** The Group provides cleaning, security, gardening and repair and maintenance services to property owners, property owners' associations and/or residents for properties sold and delivered, and to property developers for pre-delivery stage of residential properties.

- **Value-added services to non-property owners.** The Group provides value-added services to non-property owners, which include: (i) sales office and display unit management and pre-delivery support services; (ii) carpark space sales assistance services; (iii) ancillary property leasing services; and (iv) preliminary planning and design consultancy services and intelligent services.

- **Community value-added services.** The Group provides community value-added services to meet the needs of property owners and residents of residential properties under its management. Such services include: (i) home-living services; (ii) space operation services; and (iii) decoration, turnkey and move-in furnishing services.

As of 31 December 2022, the Group had 269 non-commercial projects of a GFA under management of 47.6 million sq.m. (31 December 2021: 35.6 million sq.m.), representing a year-on-year growth of 33.7%. For the Year, the average management fee of residential properties was RMB2.7/sq.m./month (Previous Year: RMB2.8/sq.m./month).

During the Year, the Group achieved various successes in its TOD property management business. In the first half of 2022, the Group successfully won the bids for property management services for Line 2 of Fuzhou Metro and Line 6 of Changsha Metro. The Group also successfully won the bids for property management services for Line 4 of Qingdao Metro and Line 1 of Lijiang Metro in July and October 2022, respectively, laying a solid foundation for realising its national layout of TOD property management business.

MANAGEMENT DISCUSSION AND ANALYSIS

COMMERCIAL PROPERTY MANAGEMENT AND OPERATIONAL SERVICES

The Group provides property management and operational services to commercial properties, which primarily comprise office buildings, shopping malls and wholesale markets. In particular, it offers:

- **Commercial operation and management services.** The Group provides commercial operation and management services to property owners, developers and tenants, which mainly consist of commercial property management services and other value-added services such as carpark management and operation services and space operation services (including advertising space leasing and common area leasing services).

- **Market positioning consultancy and tenant sourcing services.** The Group provides market positioning consultancy and tenant sourcing services to property developers and property owners, including market positioning and management consultancy services and tenant sourcing services.

As of 31 December 2022, the Group had 54 commercial projects of a GFA under management of 4.1 million sq.m. (31 December 2021: 3.3 million sq.m.), representing a year-on-year growth of 25.5%. For the Year, the average management fees of office buildings and shopping malls were RMB21.0/sq.m./month (Previous Year: RMB22.3/sq.m./month) and RMB37.0/sq.m./month (Previous Year: RMB36.8/sq.m./month), respectively.

FINANCIAL REVIEW

REVENUE

For the Year, the Group's revenue amounted to RMB2,486.2 million (Previous Year: RMB1,918.4 million), representing a year-on-year increase of 29.6%. The Group's revenue was derived from its two major business segments:

(i) non-commercial property management and value-added services; and

(ii) commercial property management and operational services.

The increase in the Group's total revenue for the Year was mainly due to increases in revenue from both business segments as detailed below.

The table below sets forth a breakdown of the Group's revenue by business segment for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Non-commercial property management and value-added services	1,941,105	78.1	1,425,142	74.3
Commercial property management and operational services	545,100	21.9	493,236	25.7
Total	2,486,205	100.0	1,918,378	100.0

The table below sets forth the breakdown of the Group's revenue by type of ultimate paying customer for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties[1]	**1,041,609**	**41.9**	802,832	41.8
Independent third parties[2]	**1,444,596**	**58.1**	1,115,546	58.2
Total	**2,486,205**	**100.0**	1,918,378	100.0

Notes:

(1) Comprises Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) ("**GZYX**"), Yuexiu Property Company Limited (Stock code: 123) ("**Yuexiu Property**"), both being the controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**")) of the Company, and their respective joint ventures, associates or other related parties.

(2) Comprises entity or person who is not a connected person of the Company as defined in the Listing Rules ("**Independent Third Parties**").

During the Year, the Group generally provided property management services to Independent Third Party customers who are property owners, residents, tenants, property owners' associations and property developers after the delivery of properties by property developers which were GZYX and Yuexiu Property and their respective joint ventures, associates or other related parties or Independent Third Parties. During the Year, the Group's revenue received from GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties amounted to RMB1,041.6 million, representing an increase by RMB238.8 million or 29.7% as compared to RMB802.8 million for the Previous Year. Such increase was mainly attributable to Yuexiu Property's business expansion and its continued engagement of the Group's services.

The table below sets forth the geographical breakdown of the Group's revenue for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	**%**	RMB'000	%
PRC	**2,411,562**	**97.0**	1,850,641	96.5
Hong Kong, PRC	**74,643**	**3.0**	67,737	3.5
Total	**2,486,205**	**100.0**	1,918,378	100.0

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Non-commercial property management and value-added services

For the Year, revenue from non-commercial property management and value-added services amounted to RMB1,941.1 million (Previous Year: RMB1,425.1 million), representing a year-on-year increase of 36.2%. The increase was mainly attributable to the following factors:

(i) the increase in the number of non-commercial projects under its management to 269 from 209 and the GFA under management to 47.6 million sq.m. from 35.6 million sq.m., respectively as of 31 December 2022 as compared to 31 December 2021;

(ii) revenue from value-added services to non-property owners increased from RMB340.6 million for the Previous Year to RMB479.4 million for the Year, representing an increase of 40.8%. Such increase was mainly attributable to the business growth of property developers, the increase in revenue from preliminary planning and design consultancy services; and the introduction of intelligent services in the second half of 2022; and

(iii) revenue from community value-added services increased from RMB442.0 million for the Previous Year to RMB650.0 million for the Year, representing an increase of 47.1% and making it the fastest-growing business of the Group. Such increase was mainly attributable to the increase in GFA under management of non-commercial properties, an increase in customer base and the diversification of home-living services offered.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Property management services	811,692	41.8	642,525	45.1
Value-added services to non-property owners	479,370	24.7	340,577	23.9
Community value-added services	650,043	33.5	442,040	31.0
Total	1,941,105	100.0	1,425,142	100.0

(II) Commercial property management and operational services

For the Year, revenue from commercial property management and operational services amounted to RMB545.1 million (Previous Year: RMB493.2 million), representing a year-on-year increase of 10.5%. The increase was mainly attributable to the following factors:

(i) the increase in number of commercial projects under its management to 54 from 42 and the GFA under management to 4.1 million sq.m. from 3.3 million sq.m., respectively, as of 31 December 2022 as compared to 31 December 2021, resulting in an increase in revenue from property management services to commercial properties; and

(ii) the additional provision of marketing positioning service and management and consultancy services to a number of new projects during the Year, resulting in an increase in revenue from marketing positioning, consultancy and tenant sourcing services.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	Year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Commercial operation and management services	**423,475**	**77.7**	382,672	77.6
Market positioning consultancy and tenant sourcing service	**121,625**	**22.3**	110,564	22.4
Total	**545,100**	**100.0**	493,236	100.0

COST OF SALES

The Group's cost of sales represent costs and expenses directly attributable to the provision of its services, which mainly comprises staff costs, subcontracting costs, depreciation and amortisation and maintenance. For the Year, the Group's cost of sales was RMB1,806.8 million (Previous Year: RMB1,247.5 million), representing a year-on-year increase of 44.8%. The increase in cost of sales was attributable to:

(i) expansion of the GFA under management and business scale during the Year, together with an increase in various types of costs; and

(ii) customers' demands and expectations for better service quality due to the spread and fluctuation of the pandemic.

For the Year, staff costs amounted to RMB776.5 million (Previous Year: RMB594.5 million), representing a year-on-year increase of 30.6% and was in line with the Group's business expansion for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS

GROSS PROFIT AND GROSS PROFIT MARGIN

The following table sets forth the Group's gross profit and gross profit margin by business segments for the years indicated.

	Year ended 31 December			
	2022		2021	
	Gross profit RMB'000	Gross profit margin %	Gross profit RMB'000	Gross profit margin %
Non-commercial property management and value-added services				
– Property management services	133,405	16.4	142,467	22.2
– Value-added services to non-property owners	153,926	32.1	148,190	43.5
– Community value-added services	213,709	32.9	203,693	46.1
Sub-total	501,040	25.8	494,350	34.7
Commercial property management and operational services				
– Commercial operation and management services	125,501	29.6	122,477	32.0
– Market positioning consultancy and tenant sourcing service	52,900	43.5	54,006	48.8
Sub-total	178,401	32.7	176,483	35.8
Total	679,441	27.3	670,833	35.0

The overall gross profit margin of the Group is primarily affected by its business mix, average property management fee rates it charges for property management services, geographic concentration of GFA under management and cost control capabilities. The Group's gross profit increased from RMB670.8 million for the Previous Year to RMB679.4 million for the Year. The overall gross profit margin of the Group decreased from 35.0% for the Previous Year to 27.3% for the Year.

The gross profit margin for non-commercial property management and value-added services decreased to 25.8% for the Year, mainly due to the adjustment of the Group's business structure in actively developing value-added services (which are still in the growth stage), which in turn led to a decrease in the overall gross profit margin of this segment.

The gross profit margin for commercial property management and operational services decreased from 35.8% for the Previous Year to 32.7% for the Year. The decrease in gross profit margin for the segment was primarily due to the impact of repeated COVID-19 outbreaks, the PRC economic environment and the slowed-down overall demand for tenant services in the commercial property market, which required more cost input to generate revenue.

ADMINISTRATIVE EXPENSES

Administrative expenses of the Group mainly comprise staff costs, consultancy service fees. For the Year, administrative expenses of the Group amounted to RMB210.9 million, representing an increase of 30.6% as compared to that of RMB161.5 million for the Previous Year, which was in line with the Group's business expansion for the Year.

OTHER INCOME

Other income of the Group primarily consists of additional value-added tax deduction and government grants. For the Year, other income of the Group amounted to RMB24.8 million (Previous Year: RMB14.0 million), representing an increase of 77.4% as compared to the Previous Year, primarily due to the job stabilisation subsidies received from the government during the Year.

OTHER GAINS – NET

Net other gains of the Group primarily consist of net foreign exchange gains. For the Year, the Group had net other gains of RMB14.4 million (Previous Year: net other losses of RMB16.0 million). Foreign exchange gains of RMB13.9 million were recorded for the Year mainly because proceeds from the Global Offering of the Shares were in Hong Kong dollars and the exchange rate of Hong Kong dollar against RMB increased at the end of the Year. Please refer to the "Proceeds from the Global Offering" section below for details.

FINANCE INCOME – NET

Net finance income of the Group consist of interest income from bank deposits and interest expense of lease liabilities. For the Year, net finance income amounted to RMB71.7 million (Previous Year: net finance income of RMB20.4 million). Finance income for the Year increased by RMB51.0 million as compared to the Previous Year primarily due to the increase in the Group's revenue, proceeds from the Global Offering and bank deposits, as well as the adoption of a centralised fund management model to increase the rate of return on funds.

INCOME TAX EXPENSES

For the Year, income tax expenses of the Group were RMB151.6 million (Previous Year: RMB154.5 million), representing a slight decrease of 1.9% as compared to the Previous Year, primarily due to the tax exemption of the foreign exchange earnings and overseas interest income.

PROFIT FOR THE YEAR

For the Year, net profit of the Group amounted to RMB424.4 million (Previous Year: RMB369.7 million), representing a year-on-year increase of 14.8%. Net profit margin for the Year was 17.1%, representing a decrease of 2.3 percentage points as compared to that of 19.3% for the Previous Year, mainly due to the impact of a combination of factors, including, amongst others, the repeated COVID-19 outbreaks across the country and the adjustment of the Group's business structure.

MANAGEMENT DISCUSSION AND ANALYSIS

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Year, profit attributable to owners of the Company was RMB416.1 million (Previous Year: RMB359.5 million), representing a year-on-year increase of 15.7%.

BASIC EARNINGS PER SHARE

In the Year, basic earnings per share attributable to the owners of the Company (based on the weighted average number of ordinary Shares in issue) amounted to RMB0.27 (Previous Year: RMB0.27).

FINAL DIVIDEND

The Board has proposed the payment of a final dividend for the Year of HKD0.109 per Share, which is equivalent to RMB0.096 per Share (Previous Year: HKD0.102 per Share (equivalent to RMB0.083 per Share)), payable to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2023. Subject to the approval of the Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about Thursday, 6 July 2023. The Board did not declare any interim dividend for the six months ended 30 June 2022.

Dividends payable to the Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

RIGHTS-OF-USE ASSETS

The Group's right-of-use assets are mainly related to the lease contracts for buildings and parking lots it used for operations. As of 31 December 2022, the Group's right-of-use assets amounted to RMB76.4 million (31 December 2021: RMB53.8 million). Such increase of right-of-use assets was primarily attributable to the combined effect of renewed and newly contracted buildings and parking lots used for operations, and depreciation over time.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2022, the Group had financial assets at fair value through other comprehensive income of RMB32.2 million (31 December 2021: RMB32.2 million), which comprised the Group's investments in:

(i) 5% equity interests of Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd. (廣州市城建開發集團名特網絡發展有限公司), which is principally engaged in development and installation of intelligence management systems and information management systems and services; and

(ii) 10% equity interests of Guangzhou Yuetou Commercial Factoring Co., Ltd. (廣州越投商業保理有限公司), which is principally engaged in provision of commercial factoring and other related financial services in the PRC.

TRADE RECEIVABLES

The Group's trade receivables increased to RMB603.6 million as of 31 December 2022 from RMB517.0 million as of 31 December 2021, representing an increase of 16.7%, which was mainly attributable to the increase in the Group's revenue for the Year as compared to the Previous Year.

OTHER RECEIVABLES AND PREPAYMENTS

The Group's other receivables and prepayments mainly comprise property management costs recoverable, payments on behalf of residents and tenants and guarantee deposits paid in relation to the provision of property management services. The Group's other receivables increased to RMB336.5 million as of 31 December 2022 from RMB256.6 million as of 31 December 2021, representing an increase of 31.2%, mainly due to the growth of business scale.

TRADE PAYABLES

The Group's trade payables increased to RMB353.1 million as of 31 December 2022 from RMB166.6 million as of 31 December 2021, representing an increase of 112.0%, mainly due to the continuous business expansion of the Group.

OTHER PAYABLES

The Group's other payables primarily consist of advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under a commission basis, and performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants. The Group's other payables as of 31 December 2021 and 31 December 2022 were RMB1,135.4 million and RMB1,233.5 million, respectively. The increase in the Group's other payables was mainly due to business expansion during the Year.

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

The Group finances its working capital mainly by its cash and cash equivalents, cashflows from its operating activities and a portion of the proceeds from the Global Offering. The Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. The Group's net current assets as of 31 December 2022 amounted to RMB3,397.1 million (31 December 2021: RMB3,098.0 million), representing an increase of 9.7%. The increase was mainly due to the continuous business expansion of the Group.

As of 31 December 2022, the Group's cash and cash equivalents amounted to RMB4,360.8 million (31 December 2021: RMB3,803.4 million). The increase was mainly attributable to the increments from operating activities.

As of 31 December 2022, the Group had no bank borrowings (31 December 2021: Nil) or loans from related party (31 December 2021: Nil). As of 31 December 2022, the Group had lease liabilities of RMB78.8 million (31 December 2021: RMB55.0 million). The increase was mainly attributable to renewed and newly contracted buildings and parking lots used for operation.

The gearing ratio is calculated based on total bank borrowings divided by total equity, multiplied by 100%. Since the Group had no bank borrowings as of 31 December 2021 and 31 December 2022, the gearing ratios as of both aforesaid dates were nil.

PROCEEDS FROM THE GLOBAL OFFERING

The Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of global offering (the "**Global Offering**") on 28 June 2021 (the "**Listing Date**"). Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the over-allotment option (the "**Over-allotment Option**") as described in the prospectus of the Company dated 16 June 2021 (the "**Prospectus**").

MANAGEMENT DISCUSSION AND ANALYSIS

After deducting the underwriting fees and commissions, incentive fee and other relevant expenses, the net proceeds from the Global Offering and the exercise of the Over-allotment Option amounted to HK$1,961.3 million (equivalent to RMB1,632.0 million). As of 31 December 2022, the Group has utilised the net proceeds as follows:

Category	Intended use of proceeds RMB'000	Percentage of total proceeds %	Actual use of proceeds during the Year RMB'000	Actual use of proceeds up to 31 December 2022 RMB'000	Unused proceeds up to 31 December 2022 RMB'000	Expected timeline for the intended use
Strategic acquisitions and investments	979,200	60	13,111 *(Note 1)*	13,111	966,089	By end of 2023
Further development of the Group's value-added services	244,800	15	34,751	34,751	210,049	By end of 2023
Developing information technology systems and smart communities	244,800	15	4,094	4,094	240,706	By end of 2023
Replenishing working capital and for general corporate purposes	163,200	10	46,622	48,462	114,738	By end of 2023
Total	1,632,000	100%	98,578	100,418	1,531,582	

Note:

(1) The Group has been actively identifying suitable acquisition opportunities during the Year and had used part of the funds to pursue and conduct feasibility studies and due diligence on potential acquisition targets.

The unused proceeds are expected to be used in accordance with the purposes set out in the Prospectus and are currently held as bank deposits.

FOREIGN EXCHANGE RISK

The principal operating entities of the Group are based in the PRC and their operating activities are transacted in RMB.

Foreign exchange risk mainly arises from the proceeds from the Global Offering held by the Group. The Group adopts a balanced strategy to control its foreign exchange risk in respect of its bank deposits denominated in Hong Kong dollars. It is expected that part of the bank deposits will be converted into RMB in order to gain a higher interest income and reduce the foreign exchange exposure, while other part of the bank deposits will not be converted into RMB for payment of cash dividend and day-to-day working capital for operations outside the PRC (including Hong Kong, the PRC) in the future.

PLEDGE OF ASSETS

As of 31 December 2022, no assets of the Group were pledged as securities for liabilities.

MAJOR ACQUISITION AND DISPOSALS

During the Year, the Company did not have any major acquisition or disposal of subsidiaries, associated companies and joint ventures.

MAJOR INVESTMENTS

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

CONTINGENT LIABILITIES

As of 31 December 2022, the Group did not have any material contingent liabilities.

CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As of 31 December 2022, the Group did not have any capital commitment.

The Group's capital expenditure for the year 2023 is expected to be financed by proceeds from the Global Offering and working capital generated from the operating activities of the Group.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises its employees as valuable assets, and strives to continue to be an attractive employer for committed employees. The Group is committed to motivating its employees with a clear career path and trainings for advancement and improvement of their skills. As at 31 December 2022, the Group had a total of 12,558 full time employees in the PRC and Hong Kong, the PRC. Total staff costs for the Year amounted to RMB938.0 million.

The Group regularly reviews remuneration and benefits of its employees according to market practice and the relevant employee's performance. The Group also (in accordance with applicable laws) provides various insurance coverage (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance), housing provident funds (in the PRC) and mandatory provident funds (in Hong Kong, the PRC) for its employees. The Group has also implemented various talent development and acquisition policies, in order to recruit and retain high-quality employees and their expertise and experience. For example, the "Yuexiu Property Management Training & Development Academy (越秀物業培訓發展學院)" provides employees with various comprehensive training sessions and courses, including management skill enhancement, qualification test tutoring and professional skill training.

The Group also understands that it is important to maintain good relationship with its suppliers and customers to fulfil its immediate and long-term goals. To maintain its competitiveness, the Group aims at delivering quality services to its customers while encouraging customers' active feedback.

During the Year, there was no material and significant dispute between the Group and its suppliers, subcontractors and/or customers.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

The Board attaches great importance to sustainability management. In accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix 27 to the Listing Rules, the Company has established an effective sustainability management system, improved the Group's sustainability governance structure and strengthened the supervision and participation of the Board in the Group's ESG affairs.

The Board, as the highest governing body of the Group, takes the full responsibility for its ESG affairs. In March 2022, the ESG committee of the Company (the "**ESG Committee**") chaired by the chairman of the Board and staffed by the chief executive officer of the Company (the "**Chief Executive Officer**") and the independent non-executive Directors was established. The ESG Committee is authorised by the Board to be responsible for the setting of the Group's ESG vision, goals, strategies and framework, as well as the management of the overall ESG performance. In addition, an ESG leading group is formed under the ESG Committee, with the Chief Executive Officer as the leader and the relevant functional departments leaders as the group members, and is responsible for coordinating and supervising the implementation of ESG management, and periodically reporting ESG performance to the ESG Committee.

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company has always valued the importance of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. During the Year, the Company has complied with all code provisions as set out in Part 2 of Appendix 14 to the Listing Rules.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiries with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code during the Year.

BOARD OF DIRECTORS

The Board, which is chaired by Mr. Lin Feng, consists of three executive Directors, three non-executive Directors and three independent non-executive Directors. The composition of the Board ensures a balance of skills and experience appropriate for the requirements of the business of the Group and the exercising of independent opinion.

The Directors in office during the Year and up to the date of this report are as follows:

NON-EXECUTIVE DIRECTORS

Mr. Lin Feng (Chairman of the Board)
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan

EXECUTIVE DIRECTORS

Mr. Wu Wei (resigned on 23 February 2022)
Mr. Zhang Jianguo (appointed on 23 February 2022)
Mr. Mao Liangmin
Mr. Zhang Jin

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Mr. Wu Wei resigned as an executive Director and the Chief Executive Officer on 23 February 2022 and on the same date, Mr. Zhang Jianguo was appointed as an executive Director and the Chief Executive Officer.

Regarding the details of service contracts of the executive Directors, each of Mr. Mao Liangmin and Mr. Zhang Jin entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, and Mr. Zhang Jianguo entered into a service contract with the Company for an initial term of three years commencing from 23 February 2022.

Each of the non-executive Directors entered into a letter of appointment with the Company for an initial fixed term of three years commencing from the Listing Date.

In compliance with Rules 3.10 and 3.10A of the Listing Rules, the Company has appointed three independent non-executive Directors (representing one-third of the Board) throughout the Year, one of whom possesses the appropriate professional qualifications in accounting and financial management. Each of the independent non-executive Directors has (i) confirmed his/her independence of the Company and the Company considers each of them to be independent in accordance with the guidelines of assessing independence as set out in Rule 3.13 of the Listing Rules; and (ii) entered into a letter of appointment with the Company commencing on and with effect from 1 February 2021 for a fixed term of one year and renewable automatically, subject to certain circumstances as stipulated in the said letter of appointment and the provisions of the articles of association of the Company (the "**Articles of Association**") with regard to removal and retirement by rotation of Directors.

Pursuant to article 111(a) of the Articles of Association, at each annual general meeting, one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("**Companies Ordinance**"), the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, Mr. Mao Liangmin (an executive Director), Mr. Hung Shing Ming and Ms. Hui Lai Kwan (both being independent non-executive Directors) will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming annual general meeting of the Company (the "**AGM**").

All Directors have given sufficient time and attention to the affairs of the Group and in particular, the independent non-executive Directors have provided the Board with their diversified expertise and professional advice. The Board is of the view that there is a balanced composition of executive, non-executive and independent non-executive Directors in the Board and the independent non-executive Directors are able to provide sufficient checks and balances to safeguard the interests of the Group and the Shareholders. The participation of the independent non-executive Directors in the Board and committee meetings also provides independent judgment on the issues relating to strategy, policy, performance, accountability, conflict of interest and standards of conduct.

The Board members have access to timely information relating to the Group's business and will be provided with further documents and information upon request to enable them to make informed decisions. Independent professional advice can be sought to discharge their duties at the Group's expense upon their request. The Company has subscribed appropriate and sufficient insurance coverage on Directors' liabilities in respect of legal actions taken against Directors arising out of corporate activities.

To the best knowledge of the Board, there is no financial, business, family or other material/relevant relationship(s) between the members of the Board.

CORPORATE GOVERNANCE REPORT

RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

The Board is responsible for the overall leadership of the Group, oversees the Group's strategic decisions and monitors business and financial performance. The Board is collectively responsible for promoting the success of the Company by directing and supervising its affairs. The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management. To oversee particular aspects of the Company's affairs, the Board has established five Board committees, including the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**"), the nomination committee (the "**Nomination Committee**"), investment committee (the "**Investment Committee**") and the environmental, social and governance committee (the "**ESG Committee**") (collectively, the "**Board Committees**"). The Board has delegated various responsibilities to the relevant Board Committees. All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and the Shareholders at all times.

BOARD INDEPENDENCE

The Company recognises that Board independence is essential in good corporate governance and the effectiveness of the Board. The Board has established mechanisms to ensure that independent views and input are available from the Board in order to enhance an objective and effective decision making.

The following mechanisms are reviewed annually by the Board, through the Nomination Committee, to ensure their effectiveness:

1. Three out of the nine Directors are independent non-executive Directors, which complies with the requirements of the Listing Rules that the Board must have at least three independent non-executive Directors and the number of independent non-executive Directors represents at least one-third of the Board.

2. The Nomination Committee will assess the independence, qualification and time commitment of a candidate who is nominated to be a new independent non-executive Director before appointment and also the continued independence of existing independent non-executive Directors annually.

3. Each of the independent non-executive Directors is required to provide an annual written confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules.

BOARD MEETINGS AND GENERAL MEETINGS

The Board holds meetings regularly and meets at other times as and when required to review financial, internal and compliance controls, risk management, company strategy and operating performance of the Group. In addition, the Board holds general meeting to maintain an on-going dialogue with the Shareholders.

During the Year, four Board meetings, two Audit Committee meetings, one Remuneration Committee meeting, one Nomination Committee meeting, two Investment Committee meetings, one ESG Committee meeting as well as three general meetings were held. The attendance of the individual Directors at the relevant meetings is set out in the table below:

	Attendance/Number of Meetings						
Directors	Board meeting	Audit Committee meeting	Remuneration Committee meeting	Nomination Committee meeting	Investment Committee meeting	ESG Committee meeting	General meeting
Mr. Lin Feng	4/4	N/A	1/1	1/1	2/2	1/1	3/3
Mr. Wu Wei *(Note)*	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Mr. Zhang Jianguo	4/4	N/A	N/A	1/1	2/2	1/1	3/3
Mr. Mao Liangmin	4/4	N/A	N/A	N/A	2/2	N/A	3/3
Mr. Zhang Jin	4/4	N/A	N/A	N/A	2/2	N/A	3/3
Mr. Yao Xiaosheng	3/4	N/A	N/A	N/A	2/2	N/A	3/3
Mr. Yang Zhaoxuan	4/4	N/A	N/A	N/A	2/2	N/A	3/3
Mr. Hung Shing Ming	4/4	2/2	1/1	1/1	2/2	1/1	2/3
Ms. Hui Lai Kwan	4/4	2/2	1/1	1/1	N/A	1/1	3/3
Mr. Chan Yuen Hang Kenneth	4/4	2/2	1/1	1/1	N/A	1/1	3/3

Note: Mr. Wu Wei resigned as an executive Director on 23 February 2022.

For Board meetings and Board Committee meetings, reasonable notices are generally given to the relevant Directors. The agenda and accompanying Board papers are provided to the relevant Directors at least three days before the Board meetings or Board Committee meetings to ensure that the Directors have sufficient time to review the papers and are adequately prepared for the Board meetings or Board Committee meetings. Management has supplied the Board and its committees with adequate information and explanations so as to enable them to make an informed assessment of the financial and other information put before the Board and its committees for approval. When Directors or Board Committee members are unable to attend a meeting, they will be advised of the matters to be discussed and given an opportunity to make their views known to the chairman of the relevant meeting prior to the meeting.

Minutes of the Board meetings and Board Committee meetings shall be kept by the company secretary. Draft minutes of each Board meeting and Board Committee meeting are sent to the Directors for comments within a reasonable time after the date on which the meeting has been held. The minutes of the Board meetings are open for inspection by all Directors. Minutes of the Board meetings and Board Committee meetings are recorded in sufficient details on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors.

CORPORATE GOVERNANCE REPORT

Should a Director have a potential conflict of interest in a matter being considered in the Board meeting, the Articles of Association also contain provisions requiring Directors to (subject to certain exceptions) abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their close associates are to their knowledge materially interested. Independent non-executive Directors with no conflict of interest will be present at meetings to deal with such issues.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the position of the chairman of the Board is held by Mr. Lin Feng while the position of the Chief Executive Officer was held by Mr. Wu Wei until 23 February 2022 and has been held by Mr. Zhang Jianguo since 23 February 2022.

The chairman of the Board provides leadership for the Board and is primarily responsible for ensuring the Board works effectively and performances its responsibilities in accordance with good corporate governance practices and procedures. The chairman of the Board is also primary responsible for drawing up and approving the agenda for each Board meeting. With the support of the senior management, the chairman is also responsible for ensuring that the Directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The Chief Executive Officer is responsible for overseeing the overall management, formulation and implementation of business strategies (including acquisition plans) of the Group.

DIRECTORS' TRAINING

The Corporate Governance Code requires all Directors to participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that their contribution to the Board remains informed and relevant.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and members of senior management are encouraged to participate in continuous professional development relating to the Listing Rules, Companies Ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, the Directors are provided with written training materials to develop and refresh their professional knowledge and skills. The Directors at that time also received training on post-listing continuous obligations compliance organised by the Company's Hong Kong legal adviser in December 2022.

In addition, every newly appointed Director will receive a comprehensive, formal and tailored induction upon appointment, where he or she will receive briefing and professional development necessary to ensure that he or she has a proper understanding of the operations and business of the Company, and that he or she is fully aware of his or her responsibilities under relevant laws, the Listing Rules, other legal and regulatory requirements as well as the business and governance policies of the Company.

According to the records maintained by the Company, the Directors received trainings in the following areas:

	Relating to responsibilities under and updates on laws, rules & regulations, corporate governance matters and anti-corruption	
	Read materials	Attended seminars/ trainings/ briefings
Non-executive Directors		
Mr. Lin Feng (Chairman of the Board)	✓	✓
Mr. Yao Xiaosheng	✓	✓
Mr. Yang Zhaoxuan	✓	✓
Executive Directors		
Mr. Wu Wei (resigned on 23 February 2022)	N/A	N/A
Mr. Zhang Jianguo (appointed on 23 February 2022)	✓	✓
Mr. Mao Liangmin	✓	✓
Mr. Zhang Jin	✓	✓
Independent non-executive Directors		
Mr. Hung Shing Ming	✓	✓
Ms. Hui Lai Kwan	✓	✓
Mr. Chan Yuen Hang Kenneth	✓	✓

ACCOUNTABILITY AND AUDIT

The Directors acknowledge their responsibility to prepare and present a balanced, clear and understandable assessment of the Group's performance, position and prospects in the consolidated financial statements of the annual and interim reports in accordance with statutory requirement, and applicable accounting standards. Pursuant to the Corporate Governance Code, management should provide such explanation and information to the Board that will enable the Board to make an informed assessment of the financial and other information put before the Board for approval. The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that might cast significant doubt upon the Company's ability to continue as a going concern.

In preparing the financial statements for the Year, the Directors have selected appropriate accounting policies and applied them consistently, and have made judgments and estimates that are prudent and reasonable.

The Group has announced its annual and interim results in a timely manner within the limits of three months and two months respectively after the end of the relevant financial periods, as laid down in the Listing Rules.

CORPORATE GOVERNANCE REPORT

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 80 to 174.

For the Year, the external independent auditors' remuneration to the Group's auditor in respect of audit and non-audit services provided to the Group amounted to approximately RMB1.9 million and RMB1.0 million. The non-audit service fees paid/payable to the external independent auditors were for advice on interim review and other reporting services.

RISK MANAGEMENT AND INTERNAL CONTROL

Further details of the Group's risk management measures and internal control system are set out in the "Risk Management Report" on pages 74 to 79.

INSIDE INFORMATION

The Group is aware of its obligations under the Securities and Futures Ordinance (Chapter 571 of laws of Hong Kong) ("**SFO**") and the Listing Rules. With respect to the procedures and internal controls for the handling and dissemination of inside information, the Company has formulated guidelines on management and disclosure of inside information, and has raised the attention of the Directors, senior management and relevant employees who may have access to sensitive information to the same which are required to comply with the relevant procedures, monitor information disclosure and respond appropriately to enquiries. The Company also provided inside information training courses to the Directors and senior management of the Company to ensure that all relevant facts and circumstances that may have material effect on the share price of the Company is assessed in a timely manner and that any material information which comes to the knowledge of any one or more officers of the Group be promptly identified, assessed and, if appropriate, escalated for the attention of the Board to determine whether a disclosure is required.

DIVIDEND POLICY

The Company may distribute dividends in the form of cash or by other means that it considers appropriate. Any proposed distribution of dividends shall be formulated by the Board and will be subject to the Shareholders' approval. A decision to declare or to pay any dividends in the future, and the amount of any dividends, will depend on a number of factors, including the Group's operation and earnings, capital requirements and surplus, financial condition, working capital requirements and other factors the Board may deem relevant. The Company intends to declare and distribute dividends on an annual basis of no less than 30% of its distributable net profit attributable to the Shareholders. However, the Company cannot assure Shareholders that the Company will declare or pay such or any amount of dividends for each or any year. Any declaration and payment as well as the amount of dividends will be subject to the constitutional documents of the Company and the relevant laws. Any future declarations of dividend may or may not reflect the historical declaration of dividends of the Company and will be at the discretion of the Board.

BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

During the Year, the Board has established five committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment Committee and the ESG Committee in consideration of the business development needs of the Group and oversee the relevant aspects of the Group's affairs. The Board Committees are provided with sufficient resources to discharge their duties.

The Board as a whole is responsible for performing the corporate governance duties including:

a) to develop and review the Company's policies and practices on corporate governance;

b) to review and monitor the training and continuous professional development of Directors and senior management;

c) to review and monitor the Company's policies and practices in compliance with legal and regulatory requirements;

d) to develop, review and monitor the code of conduct and compliance manual (if any) applicable to employees and Directors; and

e) to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

AUDIT COMMITTEE

The Audit Committee was established on 1 February 2021 with terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. The Audit Committee consists of three members, namely Ms. Hui Lai Kwan, Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth. Ms. Hui Lai Kwan is the chairlady of the Audit Committee.

None of them is a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. However, the Audit Committee is also authorised to obtain external legal or other independent professional advice if it considers necessary.

The Audit Committee has written terms of reference in accordance with the Corporate Governance Code. The responsibilities of the Audit Committee include but are not limited to:

– reviewing the financial information of the Company and its disclosure;

– supervising the financing reporting system and risk management and internal control system of the Company;

– improving the communication between the internal auditor and the external auditor;

– proposing the appointment, re-appointment or removal of an external auditor; and

– reviewing and supervising the independence and objectivity of the external auditor and the effectiveness of the auditing procedure in accordance with applicable standards.

During the Year, the Audit Committee held two meetings and conducted the following responsibilities:

1) reviewed the Group's annual results for the year ended 31 December 2021;

2) reviewed the Group's interim results for the six months ended 30 June 2022;

3) reviewed the audit plans and findings of the external auditor; and

4) made recommendation to the Board on the remuneration of the external auditor.

The Audit Committee has reviewed the risk management and internal control systems of the Group as well as considered and identified risks of the Group subsequent to 31 December 2022 and will continuously monitor the systems on a regular basis.

CORPORATE GOVERNANCE REPORT

The Audit Committee also met with the external auditor annually in the absence of management to discuss matters relating to any issues arising from audit and any other matters the external auditor may wish to raise.

The Company's annual results announcement dated 8 March 2023 for the Year has been reviewed by the Audit Committee.

NOMINATION COMMITTEE

The Nomination Committee was established on 1 February 2021 with written terms of reference in compliance with the Corporate Governance Code. The Nomination Committee consists of five members, namely Mr. Lin Feng, Mr. Zhang Jianguo, Ms. Hui Lai Kwan, Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth. Mr. Lin Feng is the chairman of the Nomination Committee.

Among other things, the primary duties of the Nomination Committee are to (i) make recommendations to the Board regarding the candidates to fill vacancies on the Board and to review the structure, size and composition of the Board and the board diversity policy adopted by the Company (the "**Board Diversity Policy**") on a regular basis; and (ii) assess the independence of independent non-executive Directors.

BOARD DIVERSITY POLICY

In assessing the Board composition, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy. The Board Diversity Policy sets out the approach to achieve diversity on the Board in order to enhance the quality of its performance, which provides that the Company should endeavour to ensure that the Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of its business strategy. Pursuant to the Board Diversity Policy, the Company seeks to achieve Board diversity through the consideration of a number of factors, including but not limited to professional experience, skills, knowledge, gender, age, cultural and education background, ethnicity and length of service. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to adapt to the constantly evolving geopolitical and economic environment, the Nomination Committee formulates the following measurable objectives: gender, age, length of service, professional experience, skills and knowledge, reviews the diversity of the Board and makes proposal to the Board if necessary.

During the Year, members of the Nomination Committee (i) reviewed the structure, size and composition (including, but not limited to, the skills, knowledge and experience) of the Board, (ii) reviewed the independence of the independent non-executive Directors; and (iii) evaluated the Directors' time commitment and contribution for performing their duties.

For the Year, the Company maintained an effective Board comprising members of different genders, professional background and industry experience. As of the date of this report, the Board comprises Directors from (i) different age groups (i.e. (a) 40-49 - six Directors; and (b) 50-59 - three Directors); (ii) different industries (such as real estate development, property management, corporate management, accounting and finance, investment and commercial banking, as well as legal industries); and (iii) different place of residence, including Mainland China and Hong Kong, China. Based on the foregoing, the composition and diversity of the Board enable the Group to benefit from a diverse and objective external perspectives, on issues raised before the Board. For details of the biographies of the Directors, please refer to the section headed "Profiles of Directors and Senior Management" in this report.

The Company values gender diversity. As of the date of this report, the Board has eight male Directors and one female Director. The Nomination Committee and the Board will take opportunities to increase the proportion of female Directors on the Board over time when selecting and making recommendations on suitable candidates as Directors. Following a review of the Board's composition, expertise and experience, as well as its diversity, the Nomination Committee and the Board are of the view that the current Board composition is sufficiently diverse in terms of gender, skills and experience and therefore, are satisfied with the implementation and effectiveness of the Board Diversity Policy.

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 3:2 which is in line with the property management industry and the population spread of the PRC. The Board considers that the gender diversity in workforce is currently achieved.

During the Year, the Nomination Committee held one meeting.

REMUNERATION COMMITTEE

The Remuneration Committee was established on 1 February 2021 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. The Remuneration Committee consists of four members, namely Mr. Lin Feng, Ms. Hui Lai Kwan, Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth. Mr. Hung Shing Ming is the chairman of the Remuneration Committee.

Among other things, the primary duties of the Remuneration Committee are to (i) review, determine and make recommendations to the Board on the policy and structure for the remuneration payable to the Directors and senior management and making recommendations on employee benefit arrangements; (ii) review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate; (iii) ensure that no Director or any of his associates (as defined in the Listing Rules) is involved in deciding his own remuneration; (iv) review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules; and (v) consider other matters that are related to remuneration paid or payable by the Group, as defined or assigned by the Board from time to time.

During the Year, members of the Remuneration Committee (i) reviewed the remuneration packages of the Directors and the senior management; (ii) reviewed and approved the Share Option Scheme which was approved by the Shareholders on 15 February 2023; and (iii) reviewed and approved the conditional initial grant of share option to the Directors and the senior management.

During the Year, the Remuneration Committee held one meeting.

The amount of the executive Directors' remuneration is determined by the Remuneration Committee on the basis of the relevant executive Directors' experience, responsibility, workload and the time devoted to the Group. The entire Directors' remuneration is adjusted by the Remuneration Committee from time to time.

CORPORATE GOVERNANCE REPORT

VIEW OF THE REMUNERATION COMMITTEE ON THE VESTING PERIOD OF THE SHARE OPTION SCHEME

In respect of the Share Option Scheme as disclosed in the section headed "Share Option Scheme" in this report, the Remuneration Committee has considered the terms of the Share Option Scheme (including the provisions on the vesting periods of the Options) and is of the view that (a) the Company should retain the flexibility to reward exceptional performers with accelerated vesting or in exceptional circumstances where justified; and (b) the Company should be able to formulate its own talent recruitment and retention strategies taking into account the changing market conditions and industry competition, and thus should retain the flexibility to impose vesting conditions that are based on performance instead of time-based vesting criteria depending on individual circumstances. As such, the Remuneration Committee is of the view that the shorter vesting period as set out in paragraph 11 of the Share Option Scheme is in line with the market practice and is appropriate and align with the purpose of the Share Option Scheme. As disclosed in the section headed "Share Option Scheme" in this report, the adoption conditions of the Share Option Scheme have not been fulfilled and hence the Share Option Scheme has not yet been adopted.

INVESTMENT COMMITTEE

The Investment Committee was established on 2 June 2021 for the purposes of, among other things, assessing the performance of past investment projects of the Group, studying potential investment projects for the future development of the Group, and making recommendations to the Board accordingly.

During the Year and up to the date of this report, the Investment Committee consisted of three executive Directors, three non-executive Directors and one independent non-executive Director, namely, Mr. Lin Feng, Mr. Wu Wei (who ceased to be a member since 23 February 2022), Mr. Zhang Jianguo (who has become a member since 23 February 2022), Mr. Mao Liangmin, Mr. Zhang Jin, Mr. Yao Xiaosheng, Mr. Yang Zhaoxuan and Mr. Hung Shing Ming. Mr. Lin Feng is the chairman of the Investment Committee.

During the Year, the Investment Committee held two meetings and discussed, reviewed and provided recommendations for the Board in respect of investment plans or policies in light of dynamic market conditions.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established on 3 March 2022. Up to the date of this report, the ESG Committee consisted of one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. Lin Feng, Mr. Zhang Jianguo, Mr. Hung Shing Ming, Ms. Hui Lai Kwan and Mr. Chan Yuen Hang Kenneth. Mr. Lin Feng is the chairman of the ESG Committee.

The main duties of the ESG Committee include the following:

(a) To review, formulate and approve the Group's vision, goals, strategies and management policies regarding ESG issues, and make recommendations to the Board on the relevant ESG matters;

(b) To review and evaluate the adequacy and effectiveness of the management framework for ESG matters at the Group level;

(c) To review and monitor the Group's policies on ESG to ensure compliance with legal and regulatory requirement; and

(d) To review and report to the Board on major international trends in legislation, regulation of corporate ESG, identify and assess the ESG related risks and opportunities that have an impact on the Group's operation.

The ESG Committee shall report to the Board on their decisions or recommendations not less than once a year.

During the Year, the ESG Committee held one meeting and discussed, reviewed and approved the 2021 ESG report of the Company for the Board's consideration and other relevant matters, including the Group's ESG goals and performance.

COMPANY SECRETARY

Mr. Yu Tat Fung (余達峯) was appointed as the company secretary of the Company on 8 February 2021. He is responsible for company secretarial matters of the Group.

Mr. Yu has been the company secretary of Yuexiu Property and Yuexiu Transport Infrastructure Limited (listed on the Stock Exchange with stock code: 1052) since October 2004. He has been the company secretary and compliance manager of Yuexiu REIT Asset Management Limited, the manager of Yuexiu Real Estate Investment Trust (listed on the Stock Exchange with stock code: 405), since October 2005 and March 2010, respectively. Mr. Yu has also been the company secretary and group general counsel of Yue Xiu Enterprises (Holdings) Limited (越秀企業(集團) 有限公司) ("**YXE**"), a controlling Shareholder, since January 2014 and February 2017, respectively. Throughout the said positions, Mr. Yu has been responsible for advising respective board of directors on, among others, corporate governance and compliance matters.

Mr. Yu obtained a bachelor's degree in social sciences from The University of Hong Kong in November 1981. He attained the Solicitors' Final Examination in England in November 1983. Mr. Yu was admitted as a solicitor of the Supreme Court of Hong Kong in April 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in February 1995.

Mr. Yu confirmed that he had taken no less than 15 hours of relevant professional training during the Year.

SHAREHOLDERS' RIGHTS

The general meetings of the Company provide an opportunity for communication between the Shareholders and the Board. An annual general meeting of the Company shall be held each year at the place as may be determined by the Board. Each general meeting, other than an annual general meeting, shall be called a general meeting.

PROCEDURES FOR SHAREHOLDERS TO CONVENE A GENERAL MEETING AND PUT FORWARD PROPOSALS THEREAT

Pursuant to section 566 of the Companies Ordinance, Shareholders may request the Board to convene a general meeting of the Company. The Directors are required to call a general meeting if the Company has received requests to do so from Shareholders representing at least 5% of the total voting rights of all the Shareholders having a right to vote at general meetings. The request must state the general nature of the business to be handled at the meeting, and may contain the text of a resolution that may be properly proposed and intended to be proposed at the meeting. The request can be sent to the Company in hard copy or electronic form and must be authenticated by the person(s) making it.

Pursuant to section 567 of the Companies Ordinance, the Board shall convene a general meeting within 21 days after the date on which it becomes subject to under this requirement. The meeting must be held within 28 days after the date of the notice convening the general meeting. If the Board fails to convene a meeting in accordance with the requirements, the Shareholders who request for the convening of the general meeting or members who account for over half of the total voting rights of all Shareholders may convene a general meeting on their own. The general meeting shall be held within three months after the date on which the Directors become subject to the requirement to convene a meeting.

CORPORATE GOVERNANCE REPORT

Pursuant to section 568 of the Companies Ordinance, if the Shareholders who request for the convening of the general meeting have any reasonable expenses incurred by reason of the failure of the Board to properly convene the general meeting, such expenses are repayable by the Company.

PROPOSE RESOLUTIONS AT THE ANNUAL GENERAL MEETING OF THE COMPANY

Pursuant to section 615 of the Companies Ordinance, (a) at least 2.5% of the total voting rights of all Shareholders entitled to vote on the resolution at the annual general meeting of the Company to which the requests relate; or (b) at least 50 Shareholders entitled to vote on the resolution at the annual general meeting of the Company to which the requests relate may make written requests for the purpose of circulating the resolutions of the annual general meeting of the Company. The written request must: (a) be sent to the Company in hard copy or electronic form; (b) indicate the resolution to which the pending notice relates; (c) be authenticated by the person(s) making the request; and (d) be delivered to the Company no later than six weeks before the annual general meeting of the Company to which the request relates; or, should it be delivered to the Company after the above time, the time at which the notice of the annual general meeting of the Company is issued. For further details, please refer to sections 580 and 615 of the Companies Ordinance.

PROCEDURES FOR RAISING ENQUIRIES

To ensure effective communication between the Board and the Shareholders:

1) Shareholders may direct their questions about their shareholdings to the Company's share registrar in Hong Kong.

2) Shareholders may at any time send their enquires and concerns to the Board in writing to the Company Secretarial Department of the Company whose contact details are as follows:

   Company Secretarial Department
   Yuexiu Services Group Limited
   26/F, Yue Xiu Building
   160 Lockhart Road
   Wanchai
   Hong Kong

3) Shareholders may also make enquiries with the Board at the general meetings of the Company.

CONSTITUTIONAL DOCUMENTS

The Articles of Association are available on both the websites of the Company and the Stock Exchange. There had been no amendment made to the constitutional documents of the Company for the Year.

CORPORATE COMMUNICATION AND INVESTOR RELATIONS

The Group attaches great importance to maintaining a smooth and effective communication mechanism with the capital market, and has set up an investor relations management team to act as an important communication bridge between the Group and Shareholders, investors and analysts.

In 2022, in response to the travel restrictions due to the recurrence of the COVID-19 pandemic, the management and the investor relations management team organised a number of online investor relations activities to maintain smooth communications with investors both home and abroad, including, among others, results presentation in the form of "live broadcast + conference calls", results roadshow by phone calls and third-party conference software, and daily one-on-one meetings. The Group also actively participated in various industry seminars and strategy conferences, providing convenient and effective communication channels for investors to comprehensively understand the Group's operations and development strategies, thereby demonstrating a positive attitude to the capital market and establishing a good market image of the Group.

In addition, the Group has also set up investor relations emails, hotlines and other channels in place to maintain efficient and effective communication with investors.

To ensure that the Shareholders are effectively informed of the Group's status and developments, the Group publishes announcements, circulars, notices, interim and annual reports in a timely manner. Relevant information about the Company will also be published on the Company's website to enhance the transparency of the Company.

The Company's annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer their enquiries. An external independent auditor will also be present at the annual general meetings. The chairman will propose separate resolutions for each issue to be considered at the annual general meetings. A notice of annual general meeting will be delivered to all Shareholders at least 21 days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

The Board has reviewed the communications with Shareholders during the Year and was satisfied with the implementation and effectiveness of the shareholders communication policy conducted.

CORPORATE GOVERNANCE REPORT

KEY INVESTOR RELATIONS EVENTS IN 2022

In 2022, the Group participated in more than 60 investor relations meetings, met with more than 350 investors, and fully communicated with the capital market on industry development trends and operations of the Group.

During the Year, the Group participated in the following investor relation activities:

Time	Events
March 2022	2021 Annual Results Roadshow
June 2022	Everbright Securities Interim Strategy Conference
	Investor Group Meeting organised by Guoyuan Securities
	Investor Group Meeting organised by Industrial Securities
	Haitong Securities Interim Investment Strategy Conference
	Investor Group Meeting organised by Mingsheng Securities
	CGS-CIMB Securities 7th Virtual Conference for Hong Kong/China Real Estate and Property Management Industry
	Citibank 2022 Asia Pacific Real Estate Investment Summit
August 2022	2022 Interim Results Roadshow
September 2022	Mingsheng Securities Interim Strategy Conference
November 2022	Sinolink Securities Exchange Conference for Listed Companies
December 2022	Haitong Securities Annual Investment Strategy Conference
	Everbright Securities Annual Investment Strategy Conference

COVERAGE OF RESEARCH

In 2022, with increasing attention from the capital market, a number of securities firms initiated coverage on the Group. By the end of the Year, research reports of eight securities firms namely CCB International, China Securities, BOCOM International, ABC International, Haitong International, Haitong Securities, Everbright Securities and Sinolink Securities covered the Group. The Group's ratings in all these research reports were "Buy/Outperform", indicating analysts' optimistic view about the Group's future prospect.

OUTLOOK

The Group will continue to devote more efforts in investor relations, strengthen communication with investors and convey investors' feedback to the management of the Group at the same time, thereby improving the Group's corporate governance and eventually creating greater value for the Shareholders.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE AND NON-EXECUTIVE DIRECTORS

Mr. Lin Feng (林峰), aged 52, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director and appointed as the chairman of the Board on 1 February 2021. He is responsible for providing strategic advice and making recommendations on business plans, strategic developments and management decisions to our Board.

Mr. Lin has over 28 years' experience in overall strategic planning and corporate operations, investment and financial decisions and financial management relating to real estate development industry. Mr. Lin has served Guangzhou City Construction & Development Co., Ltd.* (廣州市城市建設開發有限公司) ("**GCCD**"), an indirectly non-wholly owned subsidiary of Yuexiu Property, (including Guangzhou City Construction & Development Holding Company* (廣州市城市建設開發總公司)) since July 1994 and currently is its director and general manager, mainly responsible for financial management, making investment decisions and financing management. His previous positions in GCCD included deputy general manager of the finance department and corporate management department, general manager of the finance department and general manager of the investment department. He has also served Yuexiu Property since January 2012 and currently is the vice chairman of the board of directors, executive director and general manager of Yuexiu Property, mainly responsible for overall strategic planning, customer resource management and synergy. His previous positions in Yuexiu Property included assistant to general manager and deputy general manager.

Mr. Lin has obtained the qualification of an accountant of the PRC Ministry of Finance* (中華人民共和國財政部) in May 1998. Mr. Lin obtained a bachelor's degree in economics from Guangdong Commercial College* (廣東商學院) (now known as Guangdong University of Finance & Economics* (廣東財經大學)) in the PRC in June 1994.

Mr. Zhang Jianguo (張建国), aged 47, was appointed as an executive Director and the Chief Executive Officer on 23 February 2022. He is responsible for overseeing the overall management, formulation and implementation of business strategies (including acquisition plans) of the Group.

Mr. Zhang has over 16 years of senior management experience in human resources, internal control and corporate culture development in the group of GZYX and Yuexiu Property prior to joining the Company. From July 2016 to January 2022, he served in GCCD and held the last position as the secretary of Commission for Discipline Inspection. Since July 2016, Mr. Zhang serves in GCCD as a director. Since January 2022, he serves as the deputy general manager of Yuexiu Property and since February 2022, he also serves as the deputy general manager of GCCD.

Mr. Zhang obtained a bachelor's degree in laws majoring in administrative management from Sun Yat-Sen University in the PRC in June 1998.

Mr. Mao Liangmin (毛良敏), aged 42, was appointed as a Director on 27 January 2021 and was redesignated as an executive Director and appointed as the vice president (Standing) (常務副總裁) of the Company on 1 February 2021. He is responsible for the overall management and property management business of the Group. Mr. Mao currently serves as a director of certain members of the Group.

Mr. Mao has over 21 years' experience in property management. Prior to joining the Group, Mr. Mao gained experiences in relation to business operation, overall management and operation, strategic planning, improvement of business objectives etc. from certain companies in property management industry. He served as the group vice president of Shenzhen Zhiping Property Development Co., Ltd.* (深圳市之平物業發展有限公司) from August 2013 to August 2018, the group deputy general manager in Chongqing Tianjiao Aishenghuo Service Co., Ltd.* (重慶天驕愛生活服務股份有限公司) from September 2018 to January 2019, and the assistant to the chief officer in Kaisa Prosperity Holdings Limited, a company listed on the Stock Exchange (stock code: 2168), from February 2019 to February 2020. Since February 2020, Mr. Mao has served as the general manager of Guangzhou Yuexiu Property Development Co., Ltd.* (廣州越秀物業發展有限公司), a subsidiary of the Company, and has been in charge of overall operation, management strategy making and business decision making.

Mr. Mao obtained the qualification of a registered property management specialist (註冊物業管理師) granted by the PRC Ministry of Housing and City & Villages Construction* (中華人民共和國住房和城鄉建設部) in October 2014. Mr. Mao completed the Chinese Real Estate International EMBA programme organised by the National University of Singapore Business School in Singapore and Faculty of Construction Management and Real Estate of Chongqing University* (重慶大學) in the PRC in December 2013. He completed the specialist course in land and real estate development management (property management) at Zhongkai Technical College of Agriculture and Technology* (仲愷農業技術學院) in the PRC in June 2001.

Mr. Zhang Jin (張勁), aged 51, was appointed as a Director on 27 January 2021 and was redesignated as an executive Director and appointed as a vice president of the Company on 1 February 2021. He is responsible for the overall management and commercial operations of our Group. Mr. Zhang currently serves as a director of certain members of the Group.

Mr. Zhang has over 25 years' experience in property management and commercial operations. He served in Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd.* (廣州越秀怡城商業運營管理有限公司) (formerly known as Guangzhou Yicheng Property Management Co., Ltd.* (廣州怡城物業管理有限公司)) ("**Yuexiu Yicheng**") from November 1997 to January 2017, with his last position as the deputy general manager, served as the general manager of Guangzhou Baima Business Operation Management Co., Ltd.* (廣州白馬商業經營管理有限公司) from January 2017 to October 2018, and the vice chairman of board of directors in Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.* (廣州越秀城建仲量聯行物業服務有限公司) ("**Guangzhou Yuexiu JLL**") from October 2018 to June 2020. Mr. Zhang has served as the chairman of board of directors in Yuexiu Yicheng and Guangzhou Yuexiu JLL since March 2020 and June 2020, respectively, and has been responsible for providing opinion and judgement to the board of directors. Since November 2021, Mr. Zhang has served as an assistant to the president of Commercial Division of Yuexiu Property.

Mr. Zhang obtained the qualification of a property management specialist granted by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in February 2012.

Mr. Zhang completed the specialist course in marketing sales at Guangzhou Municipal Broadcasting Television University* (廣州市廣播電視大學) in the PRC in March 2005.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Yao Xiaosheng (姚曉生), aged 44, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director on 1 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yao has over 17 years' experience in corporate management. Since July 2005, Mr. Yao has served various positions in GZYX for operations analysis and management, administrative management and financial capital management. Mr. Yao served as the deputy general manager of the general office in GZYX and YXE from November 2011 to January 2016; the deputy general manager of the finance department in GZYX and YXE from January 2016 to July 2020; and the business director of the finance department in GZYX and YXE from July 2020 to February 2021. Since February 2021, he has acted as the general manager of the capital operations department in GZYX and YXE, and has been responsible for the coordination of capital operations and related management work of GZYX and subordinate sectors.

Mr. Yao has been a holder of the designation Chartered Global Management Accountant issued by The Chartered Institute of Management Accountants in the United Kingdom since August 2018. He also obtained the qualification of business administration economist (工商管理經濟師) granted by the Guangzhou Municipal Human Resources Bureau* (廣州市人事局) in January 2009.

Mr. Yao obtained a master's degree in industrial economics (產業經濟學) from Jinan University* (暨南大學) in the PRC in June 2005.

Mr. Yang Zhaoxuan (楊昭煊), aged 45, was appointed as a non-executive Director on 9 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yang has over 17 years' experience in accounting and finance industries. From August 2005 to May 2017, Mr. Yang served in Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司) ("**GZ Metro**") in certain positions for budget planning, financial strategies, financial analysis and financing and capital management, with the last position as capital management manager. From May 2017 to April 2020, Mr. Yang served as the deputy general manager of financial planning department in Guangzhou Railways Investment Construction Group Co., Ltd.* (廣州鐵路投資建設集團有限公司). Since April 2020, Mr. Yang has served as the deputy general manager of operation business department in GZ Metro, and has been in charge of strategic planning, financial management, efficiency examination, resources operations and overall management.

Mr. Yang has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since November 2003.

Mr. Yang obtained a master's degree in business administration from the South China University of Technology* (華南理工大學) in the PRC in June 2013.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Hui Lai Kwan (許麗君), aged 52, was appointed as an independent non-executive Director on 1 February 2021. Ms. Hui is responsible for providing independent advice and judgement to the Board.

Ms. Hui has 25 years of experience in the accounting, finance and advisory areas. From August 1992 to December 2010, Ms. Hui served in KPMG and her past position therein was the senior manager of capital markets group, and was responsible for provision of technical support services to audit team on listing matters and review of prospectuses. From December 2014 to November 2015, Ms. Hui was a director in regional controllers department in Manulife Financial Asia Limited, and was responsible for provision of regional management information reporting and budgeting for Manulife Asia business units. From May 2016 to February 2018, Ms. Hui was the head of finance in finance department in Aviva Life Insurance Company Limited, and was responsible for accounting and financial management, investment reporting and fund operations. From February 2018 to August 2018, Ms. Hui acted as the chief financial officer in Asana (Hong Kong) Limited, and was responsible for accounting and financial management and securing strategic investments. From September 2018 to August 2022, Ms. Hui acted as a consultant for Golden Advice Enterprises Limited, and was responsible for financial and operational review and provision of corporate governance and process improvements advice. From October 2021 to August 2022, Ms. Hui also acted as the transformation lead in i-CABLE Communications Limited, a company listed on the Stock Exchange (stock code: 1097), and was responsible for process re-engineering to improve management and operational efficiency. Since August 2022, Ms. Hui has acted as a director of corporate governance & strategy in i-CABLE Network Operations Limited (a wholly-owned subsidiary of i-CABLE Communications Limited) and is responsible for the corporate governance and strategy development, ESG compliance, and process optimisation.

Ms. Hui has been a member of the Hong Kong Institute of Certified Public Accountants since January 1996. She has also been registered as a teacher under Section 45(1) of the Education Ordinance (Chapter 279 of the laws of Hong Kong) and has been included in the Register of Child Care Workers and the Register of Supervisors under Regulation 4(2)(a) of the Child Care Services Regulations since December 2012.

Ms. Hui obtained a bachelor of social science degree in economics from The University of Hong Kong in Hong Kong in December 1992. She also completed the postgraduate diploma in early childhood education and the certification course for kindergarten principals at the Hong Kong Baptist University and the School of Continuing Education of the Hong Kong Baptist University in November 2012 and June 2013, respectively.

Mr. Hung Shing Ming (洪誠明), aged 46, was appointed as an independent non-executive Director on 1 February 2021. Mr. Hung is responsible for providing independent advice and judgement to the Board.

Mr. Hung has approximately 20 years' experience in the investment and commercial banking industry. In February 2023, Mr. Hung re-joined DBS Bank Ltd, Hong Kong Branch as a managing director and head of large corporate, institutional banking group.

From March 2007 to December 2014, Mr. Hung acted as the executive director of investment banking of Morgan Stanley Asia Limited, and was responsible for provision of corporate finance advisory services. From December 2014 to September 2018, Mr. Hung acted as the managing director and head of real estate and strategic coverage of institutional banking group in DBS Bank Ltd., Hong Kong Branch, and was responsible for provision of commercial banking and corporate finance advisory services. From September 2018 to October 2022, Mr. Hung acted as the assistant chief executive officer and chief financial officer in Kidsland International Holdings Limited, a company listed on the Stock Exchange (stock code: 2122) ("**KIHL**"), and was responsible for the strategic planning, overall management and operations and corporate finance management; and from January 2019 to October 2022, he was an executive director in KIHL, and was responsible for strategic development and corporate finance management.

Mr. Hung obtained a master of philosophy degree from the University of Cambridge in the United Kingdom in May 2002. He obtained a bachelor of science degree in economics from University College London in the United Kingdom in August 1999.

PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Chan Yuen Hang Kenneth (陳元亨), aged 49, was appointed as an independent non-executive Director on 1 February 2021. Mr. Chan is responsible for providing independent advice and judgement to the Board.

Mr. Chan has approximately 16 years experiences in legal practice. Before Mr. Chan was admitted as a solicitor, he served in consulting firms, including PricewaterhouseCoopers, Accenture (previously known as Andersen Consulting (Hong Kong) Limited) and McKinsey & Company, to provide business consulting services. Since September 2007, he has served in law firms and corporations and his main role is to provide legal advice. He served as a solicitor in Freshfields Bruckhaus Deringer from September 2007 to April 2009 and Mayer Brown JSM from June 2009 to March 2011, the group legal adviser in HKT Services Limited from February 2012 to June 2015, the senior legal counsel in CBA International Financial Services Limited from June 2015 to February 2017, and has served as the legal counsel in The Hong Kong Jockey Club since March 2017.

Mr. Chan has been admitted as a solicitor of The High Court of Hong Kong in November 2007 and admitted as a solicitor of The Supreme Court of England and Wales in May 2008.

Mr. Chan obtained a bachelor of engineering degree with first class honours in electrical and electronic engineering from Imperial College of Science, Technology and Medicine in the United Kingdom in August 1996, as well as a master of philosophy degree from the University of Cambridge in the United Kingdom in November 1998, after being awarded the British Chevening Scholarship by the Foreign and Commonwealth Office of the British Government. Mr. Chan also obtained a bachelor of laws degree from the University of London through long distance learning in August 2002.

SENIOR MANAGEMENT

Ms. Cheng Ru (成茹), aged 45, was appointed as a vice president of the Company on 1 February 2021. She is responsible for community businesses and diversified businesses, and for providing assistance to the Chief Executive Officer in relation to operational management.

Ms. Cheng has over 14 years' experience in corporate management of property management businesses. From May 2008 to July 2017, Ms. Cheng served in Guangzhou Urban Construction Property Development Co., Ltd.* (廣州城建開發物業有限公司) ("**GUCPD**") by starting as supervisor for corporate management of composite department (綜合部) with her last position being the manager of development operations division of property services business department in GUCPD where she was in charge of overall management and operation of the relevant departments. From August 2017 to June 2019, Ms. Cheng acted as the assistant to general manager of property services business department in GCCD. Since June 2019, Ms. Cheng has acted as the deputy general manager of property services business department in GCCD, and was in charge of strategic planning, overall management and operation, and improvement of business objectives.

Ms. Cheng has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since January 2010. She also obtained the qualification certificate for intermediate level of speciality in real estate economics (房地產經濟) issued by the Guangzhou Municipal Human Resources Office* (廣州市人事局) in the PRC in February 2010. Ms. Cheng also obtained the qualification of a property management specialist granted by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in January 2013.

Ms. Cheng obtained a bachelor's degree in monetary banking studies (貨幣銀行學) from Wuhan University* (武漢大學) in the PRC in July 2000.

Mr. Chen Dongpeng (陳冬鵬), aged 38, was appointed as the chief financial officer of the Company on 1 February 2021. He is responsible for financial and budget management and capital operations.

Mr. Chen has over 15 years' experience in the accounting and finance industries. Mr. Chen served in Deloitte, Guangzhou branch from July 2007 to June 2015 and his last position therein was audit manager. Mr. Chen served as the senior supervisor of finance department in GZYX from July 2015 to April 2017, a secondee in the finance department of GCCD from January 2017 to May 2017, and deputy general manager of Guangzhou Yuexiu Real Estate Commercial Division, Wuhan Company* (廣州越秀地產商業板塊武漢公司) from June 2019 to June 2020. Mr. Chen served as an assistant to general manager of Commercial Division of Yuexiu Property (廣州越秀地產商業板塊) in Guangzhou Yuexiu Commercial Real Estate Investment Management Co., Ltd.* (廣州越秀商業地產投資管理有限公司) from 2017 to 2021, where he was responsible for assisting general manager in strategic planning, overall management and operation and developing new business objectives.

Mr. Chen has been registered as a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since April 2014. He obtained the qualification certificate for intermediate level of speciality in audit issued by the Guangdong Provincial Office for Human Resources and Social Security* (廣東省人力資源和社會保障廳) in the PRC in March 2016. Mr. Chen also obtained the qualification to practise in the securities industries in the PRC in May 2016. Mr. Chen also passed the capstone level examination of Hong Kong Institute of Certified Public Accountants in February 2023.

Mr. Chen obtained a master's degree in business administration from Sun Yat-sen University* (中山大學) in the PRC in December 2020. He was awarded the certificate for completing the international module on sustainability and crisis management programme by Antwerp Management School in Belgium in July 2019. Mr. Chen obtained a bachelor's degree in Japanese literature from Jinan University* (暨南大學) in the PRC in June 2007.

DIRECTORS' REPORT

The Board presents the annual report with the audited consolidated financial statements of the Group for the Year.

GLOBAL OFFERING

The Company was incorporated in Hong Kong on 8 October 2020 as a limited liability company. Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the Over-allotment Option at the issue price of HKD4.88 per Share. All the Shares were listed on the Main Board of the Stock Exchange. For details of the proceeds from the Global Offering and their uses, please refer to the paragraphs headed "Management Discussion and Analysis – Proceeds from the Global Offering" on page 31.

PRINCIPAL ACTIVITIES

The Company is an investment holding company, and its subsidiaries are primarily engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services in the PRC. An analysis of the Group's revenue for the Year by principal activities is set out in note 5 to the consolidated financial statements of the Group.

BUSINESS REVIEW AND FUTURE DEVELOPMENT

A review of the Group's business during the Year, an analysis of the Group's performance using financial key performance indicators, a description of the Group's relationships with its employees, customers and suppliers and an indication of likely future development in the Group's business as required by Schedule 5 to the Companies Ordinance are set out in "Chairman's Statement" on pages 12 to 19 and in "Management Discussion and Analysis" on pages 20 to 33.

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 laws and regulations.

Further details of the Group's environmental policies and performance have been disclosed in the environmental, social and governance report of the Company published on the same date of this report.

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, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

Further details of the Group's compliance with relevant laws and regulations which have a significant impact on the Group have been disclosed in the environmental, social and governance report of the Company published on the same date of this report.

SEGMENT INFORMATION

Management considers there to be two business segments under the requirements of HKFRS 8.

RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 88.

Profit attributable to owners of the Company, before dividends, of RMB416.1 million have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 91.

The Board has proposed to declare a final dividend for the Year of HKD0.109 per Share, which is equivalent to RMB0.096 per Share, payable to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2023. Subject to the approval of Shareholders at the forthcoming AGM, the final dividend will be paid on or about Thursday, 6 July 2023. Dividends payable to Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration. The Board did not declare any interim dividend for the six months ended 30 June 2022.

ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 17 May 2023. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules and Articles of Association in due course.

CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining Shareholders' eligibility to attend and vote at the AGM on Wednesday, 17 May 2023, the register of members of the Company will be closed from Friday, 12 May 2023 to Wednesday, 17 May 2023 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 11 May 2023, for registration.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Thursday, 25 May 2023 which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 23 May 2023, for registration.

SHARE CAPITAL

Details of the movements in the share capital of the Company are set out in note 22 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in note 30 and note 23 to the consolidated financial statements, respectively.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2022, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance amounted to approximately RMB202.7 million.

DIRECTORS' REPORT

MAJOR CUSTOMERS AND SUPPLIERS

For the Year, purchases from the Group's five largest suppliers accounted for 14.4% of the Group's total purchases and purchases from the largest supplier amounted to 4.7% of the Group's total purchases.

For the Year, revenue derived from the Group's five largest customers accounted for 43.4% of the Group's total revenue and revenue derived from the largest customer amounted to 41.9% of the Group's total revenue.

To the best knowledge of the Directors, other than GZYX and its subsidiaries, joint ventures, associates or other related parties, none of the Directors, their close associates or any Shareholder which to the knowledge of the Directors owns more than 5% of the number of total issued Shares had any interest in the Group's five largest customers or five largest suppliers.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group during the Year are set out in note 15 to the consolidated financial statements.

LOAN AND BORROWINGS

The Group did not have any bank loans or other borrowings as at 31 December 2022.

DIRECTORS

The Directors in office during the Year and up to the date of this report are as follows:

Non-executive Directors

Mr. Lin Feng (Chairman of the Board)
Mr. Yao Xiaosheng
Mr. Yang Zhaoxuan

Executive Directors

Mr. Wu Wei (resigned on 23 February 2022)
Mr. Zhang Jianguo (appointed on 23 February 2022)
Mr. Mao Liangmin
Mr. Zhang Jin

Independent Non-executive Directors

Ms. Hui Lai Kwan
Mr. Hung Shing Ming
Mr. Chan Yuen Hang Kenneth

ROTATION AND RE-ELECTION OF DIRECTORS

Pursuant to article 111(a) of the Articles of Association, at each annual general meeting one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance, the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, Mr. Mao Liangmin (an executive Director), Mr. Hung Shing Ming and Ms. Hui Lai Kwan (both being independent non-executive Directors) will retire by rotation and, being eligible, offer themselves for re-election at the AGM.

The Board recommends the re-appointment of the above Directors for re-election at forthcoming AGM.

DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 52 to 57.

DISCLOSURE OF DIRECTORS' INFORMATION PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

Changes in Directors' information required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

In February 2023, Mr. Hung Shing Ming re-joined DBS Bank Ltd, Hong Kong Branch as a managing director and head of large corporate, institutional banking group.

Since August 2022, Ms. Hui Lai Kwan has acted as a director of corporate governance & strategy in i-CABLE Network Operations Limited (a wholly-owned subsidiary of i-CABLE Communications Limited) and is responsible for the corporate governance and strategy development, ESG compliance, and process optimisation.

Save as disclosed in this report, there is no other information which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors a confirmation of his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers all of the independent non-executive Directors to be independent.

DIRECTORS' REPORT

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the Directors' service contracts and letters of appointment are set out in the paragraph headed "Board of Directors – Appointment and Re-election of Directors" in the Corporate Governance Report on pages 34 to 51.

No Directors proposed for re-election at the forthcoming AGM has an unexpired service contract/letter of appointment which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensations.

DIRECTORS OF THE COMPANY'S SUBSIDIARIES

The names of all the directors who have served on the boards of the Company's subsidiaries during the Year and up to the date of this report are available on the Company's website (www.yuexiuservices.com).

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, none of the Directors had a material interest, either directly or indirectly, in any transaction, arrangement or contract of significance to the business of the Group to which the Company or any of its subsidiaries was a party during or subsisting at the end of the Year, nor any transaction, arrangement or contract of significance has been entered into during the Year between the Company or any of its subsidiaries and the controlling Shareholders or any of its subsidiaries.

MANAGEMENT CONTRACTS

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

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Year, none of the Directors or any of their respective associates (as defined in the Listing Rules) was considered to be interested in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

Details of Directors' emoluments and emoluments of five highest paid individuals of the Company are set out in notes 31(a) and 7(c) to the consolidated financial statements, respectively.

Directors and senior management of the Company may receive compensation in the form of fees, salaries, contributions to pension schemes, other allowances, other benefits in kind and/or discretionary bonuses with reference to those paid by comparable companies, time commitment and performance of the Directors and senior management, as well as the performance of the Group. No Director is involved in deciding his or her own remuneration.

None of the Directors waived or agreed to waive any remuneration and there were no emoluments paid by the Group to any of the Directors or any of five highest paid individuals as an inducement to join, or upon joining the Group, or as compensation for loss of office.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES OR DEBENTURES

So far as the Directors are aware, at 31 December 2022, the interests and short positions of the Directors and chief executives of the Company at that time in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code in Appendix 10 to the Listing Rules, were as follows:

LONG POSITION IN THE COMPANY

Name of shareholder	Capacity and nature of interest	Number of the Company's issued shares held	Approximate percentage of shareholding in the Company
Mr. Mao Liangmin[1]	Beneficial owner	1,048,800	0.07%
Mr. Zhang Jin[1]	Beneficial owner	1,048,800	0.07%

Note:

(1) These interests are share options that have been conditionally granted to the relevant Directors under the Share Option Scheme and were not vested as at 31 December 2022. As of the date of this report, the adoption conditions of the Share Option Scheme have not yet been fulfilled.

DIRECTORS' REPORT

LONG POSITION IN THE ASSOCIATED CORPORATION OF THE COMPANY

Name of shareholder	Name of associated corporation	Capacity and nature of interest	Number of associated corporation's issued shares held	Approximate percentage of shareholding in the associated corporation
Mr. Lin Feng[(1)]	Yuexiu Property	Beneficial owner/beneficiary of a trust/spouse interest	1,605,559	0.05%
Mr. Zhang Jianguo[(2)]	Yuexiu Property	Beneficial owner/beneficiary of a trust	1,842,230	0.06%
Mr. Zhang Jin[(3)]	Yuexiu Property	Beneficial owner/beneficiary of a trust	331,173	0.01%

Notes:

(1) Mr. Lin Feng is interested in 1,605,559 shares, out of which 589,678 shares are owned by him as beneficial owner, 995,881 shares are held for him as a beneficiary under Yuexiu Property Company Limited Share Incentive Scheme Trust for Directors and Senior Management (the "**Yuexiu Property DSM Trust**") and 20,000 shares are held by his spouse.

(2) Mr. Zhang Jianguo is interested in 1,842,230 shares, out of which 1,174,004 shares are owned by him as beneficial owner and 668,226 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

(3) Mr. Zhang Jin is interested in 331,173 shares, out of which 116,881 shares are owned by him as beneficial owner and 214,292 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have 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 the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARE CAPITAL OF THE COMPANY

So far as the Directors are aware, as at 31 December 2022, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name of shareholder	Capacity and nature of interest	Shares held[1]	Approximate shareholding percentage
GZYX	Interest in a controlled corporation[2]	1,018,600,000 (L)	66.92%
YXE	Interest in a controlled corporation[2]	1,018,600,000 (L)	66.92%
Yuexiu Property	Interest in a controlled corporation[2]	1,018,600,000 (L)	66.92%
Guangzhou Construction & Development Holdings (China) Limited ("**GCD China**")	Beneficial owner[2]	1,018,600,000 (L)	66.92%
GZ Metro	Interested in a controlled corporation[3]	90,359,677 (L)	5.94%
Guangzhou Metro Investment Finance (HK) Limited (廣州地鐵投融資(香港)有限公司) ("**GMIF**")	Beneficial owner[3]	90,359,677 (L)	5.94%

Notes:

(1) The letter "L" denotes a long position in the Shares.

(2) Given that (i) GCD China is wholly-owned by Yuexiu Property; (ii) Yuexiu Property is indirectly owned by YXE as to approximately 39.78%; and (iii) YXE is wholly-owned by GZYX, by virtue of the SFO, each of GZYX, YXE and Yuexiu Property is deemed to be interested in the Shares held by GCD China.

(3) Given that GMIF is directly wholly-owned by GZ Metro, by virtue of the SFO, GZ Metro is deemed to be interested in the Shares held by GMIF.

Save as disclosed above, as at 31 December 2022, there was no other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

DIRECTORS' REPORT

SHARE OPTION SCHEME

Reference is made to the announcements of the Company dated 30 December 2022 and 15 February 2023 and the circular of the Company dated 26 January 2023 (the "**Circular**"). As set out in the poll results announcement of the Company dated 15 February 2023, the Shareholders have passed the ordinary resolutions for, among other things, the adoption of the Share Option Scheme and the initial grant proposal (the "**Initial Grant Proposal**") to recognise and acknowledge the contributions of the eligible participants to the Group by granting share options under the Share Option Scheme (the "**Options**") to them as incentives or rewards. As disclosed in the Circular, the adoption of the Share Option Scheme is subject to and conditional upon (i) the passing of the ordinary resolution for the adoption of the Share Option Scheme by the Shareholders; and (ii) the listing committee of the Stock Exchange granting the approval (the "**Listing Approval**") for the listing of, and the permission to deal in, the Shares to be issued pursuant to the exercise of the Options which may be granted under the Share Option Scheme (the "**Adoption Conditions**") while the adoption of the Initial Grant Proposal is subject to and conditional upon (i) the fulfillment of the Adoption Conditions; (ii) the passing of the ordinary resolutions for the adoption of the Initial Grant Proposal by the Shareholders; and (iii) the obtaining of the approval for the Initial Grant Proposal by the State-owned Assets Supervision and Administration Commission of the State Council of Guangzhou Municipal People's Government ("**Guangzhou SASAC Approval**").

Given that the Listing Approval and the Guangzhou SASAC Approval have not been obtained as at the date of this report, the adoption conditions of the Share Option Scheme and the Initial Grant Proposal have not yet been fulfilled and hence the Share Option Scheme and the Initial Grant Proposal have not been adopted. The disclosures in relation to the Share Option Scheme as required under Chapter 17 of the Listing Rules will be made in the Company's annual report and interim report after all the relevant adoption conditions have been fulfilled.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the Year was the Company or its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or exercised any such right.

PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties facing the Group are set out in the Risk Management Report on pages 74 to 79.

Principal financial risks are set out in note 3 to the consolidated financial statements.

CHARITY DONATION

The Group did not make any charitable donations during the Year.

EQUITY-LINKED AGREEMENT

There was no equity-linked agreement entered into by the Company or any of its subsidiaries during the Year or subsisted as at 31 December 2022.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles of Association and there was no restriction against such rights under the Companies Ordinance.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

NON-COMPETITION UNDERTAKINGS

To safeguard the Group from any potential competition, each of the controlling Shareholders has entered into a non-competition undertaking in favour of the Group on 11 June 2021. For details of the non-competition undertakings, please refer to the section headed "Relationship with Controlling Shareholders – Non-competition Undertakings" in the Prospectus.

Based on the information and confirmation provided by the controlling Shareholders, the independent non-executive Directors have reviewed the implementation of the non-competition undertakings during the Year, and confirmed that the controlling Shareholders have complied with the non-competition undertakings.

PERMITTED INDEMNITY PROVISIONS

Pursuant to article 166 of the Articles of Association, subject to the provisions of the Companies Ordinance, every Director, company secretary or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all costs, charges, expenses, losses and liabilities which he/she may sustain or incur in or about the execution of his office or otherwise in relation thereto.

The Company has subscribed appropriate directors' and officers' liabilities insurance coverage for the Directors and officers of the Company.

CONTINUING CONNECTED TRANSACTIONS

GZYX, YXE, Yuexiu Property and GCD China are controlling Shareholders, and hence, connected persons of the Company under Chapter 14A of the Listing Rules.

GZ Metro is a substantial shareholder of Guangzhou Metro Environmental Engineering Co., Ltd.* (廣州地鐵環境工程有限公司) which is a subsidiary of the Company, and hence, a connected person of the Company at subsidiary level under Chapter 14A of the Listing Rules.

DIRECTORS' REPORT

Chong Hing Bank Limited ("**CHB**") is a subsidiary of YXE, a controlling Shareholder, and hence, a connected person of the Company under Chapter 14A of the Listing Rules.

For the Year, the Group has entered into the following non-exempted continuing connected transactions:

1. PROPERTY LEASE

On 7 June 2021, the Company entered into a property lease framework agreement with Yuexiu Property (the "**Property Lease Framework Agreement**") with a term commencing from the Listing Date up to and including 31 December 2023 to govern the short-term leases of properties from Yuexiu Property and its associates which are exempt from recognition as right-of-use assets under HKFRS 16. Pursuant to the Property Lease Framework Agreement, the Group will lease certain car parking spaces for providing carpark space management and operation services and other office premises for self-use from Yuexiu Property and its associates. The specific rent concerned and other relevant matters will be negotiated by the relevant parties to the specific transaction with reference to the then prevailing market rates and in good faith which will be set out in separate lease agreements in accordance with the principles set out in the Property Lease Framework Agreement.

The annual caps for the Property Lease Framework Agreement for the years ending 31 December 2021, 2022 and 2023 are RMB25,400,000, RMB27,940,000 and RMB30,734,000 respectively.

For the Year the rental paid by the Group under the Property Lease Framework Agreement amounted to approximately RMB21,235,000.

2. GZ METRO PROPERTY MANAGEMENT AND RELATED SERVICES

On 23 November 2020, the Group entered into a property management and related services framework agreement (the "**GZ Metro Property Management and Related Services Framework Agreement**") with GZ Metro, pursuant to which the Group agreed to provide the following services to properties owned, operated and used by GZ Metro and its associates, including (i) property management services (including sanitary services) for train stations, train depots, residential properties and commercial properties; (ii) the upkeeping and placing of greeneries in train depots and other commercial properties; (iii) other ancillary services; and (iv) other value-added services, for a term commencing from 30 November 2020 up to and including 31 December 2022.

The annual caps for the GZ Metro Property Management and Related Services Framework Agreement for the years ending 31 December 2021 and 2022 were RMB264,000,000 an RMB316,800,000, respectively.

For the Year, the service fees paid to the Group under the GZ Metro Property Management and Related Services Framework Agreement amounted to approximately RMB253,195,000.

As the GZ Metro Property Management and Related Services Framework Agreement was due to expire on 31 December 2022, on 22 November 2022, the Company entered into the 2023 GZ Metro property management and related services framework agreement (the "**2023 GZ Metro Property Management and Related Services Framework Agreement**") with GZ Metro, pursuant to which the Group may provide, and GZ Metro and its associates may procure, the property management and related services for a term of three years commencing from 1 January 2023. The annual caps for the 2023 GZ Metro Property Management and Related Services Framework Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB335,219,000, RMB420,547,000 and RMB504,657,000, respectively.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus and the announcement of the Company dated 23 November 2022.

3. BANK DEPOSITS

On 11 June 2021, the Company entered into a bank deposits agreement (the "**Bank Deposits Agreement**") with CHB pursuant to which the Group may, in its ordinary and usual course of business, place and maintain bank deposits (the "**Bank Deposits**") with CHB and its subsidiaries ("**CHB Group**") on normal commercial terms from time to time for a term commencing from the Listing Date up to and including 31 December 2022, and the placing and maintenance of any such bank deposits shall be subject to the terms and conditions of CHB Group applicable to independent customers of similar size to the Group from time to time.

The daily caps for the Bank Deposits under the Bank Deposits Agreement for the years ending 31 December 2021 and 2022 were RMB2,515,000,000 and RMB2,085,000,000 respectively.

For the Year, the highest daily outstanding balance (including accrued interests) of the Bank Deposits placed by the Group with CHB Group on any given day amounted to approximately RMB639,871,000.

As the Bank Deposits Agreement was due to expire on 31 December 2022, on 22 November 2022, the Company entered into the 2023 bank deposits agreement (the "**2023 Bank Deposits Agreement**") with CHB for a term of three years commencing from 1 January 2023. The daily caps for the Bank Deposits under the 2023 Bank Deposits Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB2,293,500,000, RMB2,522,850,000 and RMB2,775,135,000, respectively.

For details of the above continuing connected transactions, please refer to the section headed "Connected Transactions" in the Prospectus, the announcement and the circular of the Company dated 23 November 2022 and 12 December 2022, respectively.

4. INTELLIGENT SERVICES

On 20 May 2022, the Company entered into the intelligent services framework agreement (the "**Intelligent Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective subsidiaries and associates the intelligent services from the date of approval at the general meeting held on 29 June 2022 and up to and including 31 December 2024.

The annual caps of the Intelligent Services Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB271,715,000, RMB525,259,000 and RMB691,166,000, respectively.

For the Year, the service fees paid to the Group under the Intelligent Services Framework Agreement amounted to approximately RMB49,341,000.

For details of the above continuing connected transaction, please refer to the announcement and the circular of the Company dated 20 May 2022 and 13 June 2022, respectively.

5. PROCUREMENT OF PRODUCTS

On 22 November 2022, the Company entered into the procurement framework agreement (the "**Procurement Framework Agreement**") with GZYX, pursuant to which the Group may procure, and GZYX and its associates may provide, the procured products for a term commencing on the effective date of the agreement and ending on 31 December 2024.

The annual caps of the Procurement Framework Agreement for the years ending 31 December 2022, 2023 and 2024 are RMB3,633,000, RMB9,490,000 and RMB17,816,000, respectively.

DIRECTORS' REPORT

For the Year, the total amount paid by the Group for the procured products under the Procurement Framework Agreement was approximately RMB3,393,000.

For details of the above continuing connected transaction, please refer to the announcement of the Company dated 23 November 2022.

6. 2022 PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES FRAMEWORK AGREEMENT

A. Property Management Services

On 7 June 2021, the Company entered into a property management services framework agreement with GZYX and Yuexiu Property (the "**Property Management Services Framework Agreement**"), pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates property management services on non-commercial properties, for a term commencing from the Listing Date up to and including 31 December 2023.

B. Commercial Operation and Management Services

On 7 June 2021, the Company entered into a commercial operation and management services framework agreement (the "**Commercial Operation and Management Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates commercial operation and management services on commercial properties, including but not limited to, (i) commercial property management services; and (ii) carpark space management and operation services, for a term commencing from the Listing Date up to and including 31 December 2023.

C. Value-Added Services (including non-property owner value added services and community value-added services)

On 7 June 2021, the Company entered into a value-added services framework agreement (the "**Value-Added Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates value-added services, including (i) non-property owner value-added services (such as preliminary planning and design consultancy services, sales office and display unit management and pre-delivery support services, carpark space sales assistance services and ancillary property leasing services); and (ii) community value-added services (such as home-living services), for a term commencing from the Listing Date up to and including 31 December 2023.

D. Market Positioning Consultancy and Tenant Sourcing Services

On 7 June 2021, the Company entered into a market positioning consultancy and tenant sourcing services framework agreement (the "**Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group agreed to provide to GZYX, Yuexiu Property and their respective associates market positioning consultancy and tenant sourcing services on commercial properties, including but not limited to, market research and positioning services where the Group conducts market research and feasibility analysis and advise on how to position and manage the relevant properties with regards to the property nature, target tenants mix and property management etc., tenant sourcing, tenant management and rent collection services, for a term commencing from the Listing Date up to and including 31 December 2023.

On 22 November 2022, the Company entered into the property management and value-added services framework agreement (the "**2022 Property Management and Value-Added Services Framework Agreement**") with GZYX and Yuexiu Property, pursuant to which the Group may provide, and GZYX, Yuexiu Property and their respective associates may procure, the property management services, commercial operation and management services, value-added services as well as market positioning consultancy and tenant sourcing services for a term commencing on the effective date of the agreement and ending on 31 December 2024. The 2022 Property Management and Value-Added Services Framework Agreement was approved, and hence became effective, by independent Shareholders at the general meeting held on 30 December 2022; and superseded the Property Management Services Framework Agreement, the Commercial Operation and Management Services Framework Agreement, the Value-Added Services Framework Agreement and the Market Positioning Consultancy and Tenant Sourcing Services Framework Agreement from its effective date.

The table below sets out the maximum annual service fees payable to the Group under the 2022 Property Management and Value-Added Services Framework Agreement for the three years ending 31 December 2024:

		Year ending 31 December		
Annual caps for:		**2022 (RMB'000)**	**2023 (RMB'000)**	**2024 (RMB'000)**
(i)	property management services	19,500	60,081	79,420
(ii)	commercial operation and management services	62,120	195,371	213,923
(iii)	value-added services	630,340	1,001,944	1,363,508
(iv)	market positioning consultancy and tenant sourcing services	166,379	207,973	249,551
Total:		878,339	1,465,369	1,906,402

For the Year, the service fees paid to the Group under the 2022 Property Management and Value-Added Services Framework Agreement for (i) property management services; (ii) commercial operation and management services; (iii) value-added services; and (iv) market positioning consultancy and tenant sourcing services amounted to approximately RMB14,144,000, RMB48,463,000, RMB554,841,000 and RMB121,625,000, respectively.

For details of the above continuing connected transactions, please refer to the announcement and the circular of the Company dated 23 November 2022 and 12 December 2022, respectively.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors have reviewed the relevant framework agreements and confirmed that the framework agreements have been entered into:

a) in the ordinary and usual course of business of the Group;

b) either on normal commercial terms or, if there were not sufficient comparable transactions to judge whether they were on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and

DIRECTORS' REPORT

c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Company's shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions for the Year 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 auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the continuing connected transactions of the Group:

(i) have not been approved by the Board;

(ii) were not, in all material respects, in accordance with the pricing policies of the Group;

(iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual cap in respect of the continuing connected transactions of the Group.

A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONNECTED TRANSACTION

On 30 December 2022, an indirect wholly-owned subsidiary of the Company (the "**Assignee**") entered into a car parking space agreement with a subsidiary of Yuexiu Property (the "**Assignor**"), pursuant to which the Assignee has agreed to acquire, and the Assignor has agreed to assign, the right to use of the parking spaces, at the consideration of RMB10,400,043. As Yuexiu Property is a controlling Shareholder, and hence a connected person of the Company under Chapter 14A of the Listing Rules, the transaction contemplated under the car parking space agreement constituted a connected transaction of the Company.

For details of the above connected transaction, please refer to the announcement of the Company dated 30 December 2022.

The Company confirmed that it has complied with the relevant requirements in accordance with Chapter 14A of the Listing Rules in relation to all continuing connected transactions and connected transaction to which the Group was a party for the Year.

RELATED PARTY TRANSACTIONS

Details of material related party transactions of the Group undertaken during the Year are set out in note 29 to the consolidated financial statements. Save as disclosed in the paragraphs headed "Continuing Connected Transactions" and "Connected Transaction" above, none of these related party transactions is required to be disclosed under Chapter 14A of the Listing Rules.

EVENTS AFTER THE REPORTING YEAR

Save as disclosed in note 32 to the consolidated financial statements, there are no significant events subsequent to 31 December 2022 which would materially affect the Group's operating and financial performance as of the date of this report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge, information and belief of the Directors, the Company has maintained sufficient public float as required by the Stock Exchange and under the Listing Rules throughout the Year and up to the date of this report.

MATERIAL LITIGATION AND ARBITRATION

For the Year, the Company was not involved in any litigation, arbitration or claims of material importance and there was no litigation or claim of material importance which was known to the Directors to be pending or threatened by or against the Company.

CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code as its own code of corporate governance. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 34 to 51.

AUDIT COMMITTEE

The Audit Committee, comprising Ms. Hui Lai Kwan (chairlady), Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth, has discussed with the Group's management and external auditor the accounting principles and policies adopted by the Group as well as the procedures adopted by the auditor in reviewing all continuing connected transactions and connected transactions, and has reviewed the Group's consolidated financial statements for the Year.

AUDITOR

PricewaterhouseCoopers will retire and, being eligible, will offer themselves for reappointment. A resolution will be proposed for approval by Shareholders at the forthcoming AGM to re-appoint PricewaterhouseCoopers as the auditor of the Company.

On behalf of the Board

Mr. LIN Feng
Chairman of the Board
Hong Kong, 8 March 2023

RISK MANAGEMENT REPORT

RISK MANAGEMENT AND INTERNAL CONTROL

I. DUTIES OF THE BOARD AND THE MANAGEMENT

The Board believes that effective risk management and internal control are essential to the long-term business growth and sustainability of the Group. The Board is responsible for assessing and determining the nature and extent of risks to which the Group is willing to expose itself in meeting its strategic objectives and ensuring that the Company establishes and maintains appropriate and effective risk management and internal control system to safeguard the Company's assets and the interests of the Shareholders.

The management of the Group is responsible for the design, implementation and monitoring of the risk management and internal control system and for confirming to the Board the effectiveness of the risk management and internal control system.

Risk management and internal control system is established to mitigate, to the extent acceptable, each of the Group's business risks, rather than to eliminate the risk of failure to achieve business objectives, and only to provide reasonable but not absolute assurance that there will be no material misstatement or loss.

The comprehensive risk management is managed by the Group on a hierarchical basis and this framework includes the Board, the Audit Committee, the operational management of the Group, management at the headquarters of the Group, and the audit and legal department of the Company (the "**Audit and Legal Department**").

II. RESPONSIBILITY FOR RISK MANAGEMENT

The Group has established a two-way interactive risk management infrastructure to define direct management obligations for risk management and procedures for reporting risk information, clarified risk management processes and responsibilities, and adopted proactive and structured approaches to promote the internal culture of risk management.

The responsibilities and key obligations under the risk management structure at different levels of the Group are set out in the table below:

Function duties	Major responsibilities
The Board (level of decision making)	Evaluate and determine the nature and extent of the risks that the Group is willing to expose to for achieving its strategic objectives; Ensure that the Group establishes and maintains suitable and effective risk management and internal control system; Oversee design, implementation and monitoring of the risk management and internal control system by the management.

Function duties	Major responsibilities
The Audit Committee (level of decision making)	Review and determine the risk management framework; Regular review and assessment of the effectiveness of the risk management framework; Coordinate with and assist the senior management of the Group to propel risk management; Report to the Board any material risk management issue and suggested resolution.
Senior management of the Group (level of leadership organisation)	Conduct regular risk assessment and establish risk management measures based on the Group's strategic targets from the prospective of the Group as a whole; Design, implement and monitor the risk management and internal control system; Confirm to the Board the effectiveness of the risk management and internal control system.
Management at the headquarters of the Group (level of implementation organisation)	Establish and implement the risk response plans for their respective business; Promote and implement the specific risk management initiatives; Monitor the respective risks of the businesses they are responsible for, and report relevant risk information to senior management.
The Audit and Legal Department (level of supervision)	Coordinate and promote establishment of risk management system; Coordinate and promote risk assessment by the respective business units; Supervise the respective business units to carry out risk response and monitoring; Conduct independence assessment on the risk management and internal control system through internal audit.

RISK MANAGEMENT REPORT

III. RISK MANAGEMENT PROCEDURE

The Group has developed various policies relating to risk management and internal control with the aim to further standardise the procedures for risk management and internal control and make constant risk supervision and management. The main steps of the risk management procedure are as follows:

- Risk identification
- Risk analysis
- Risk response
- Risk assessment
- Risk tracking

Risk management is mainly driven by, among others, the nature of the industry in which the Group operates business, its strategy and business objectives. By identifying the risk factors that affect the achievement of objectives, analysing the causes leading to specific risk events, assessing the likelihood of occurrence of any particular risk and the potential impact thereof, confirming and recording the specific responsive measures for identified risks, constantly monitoring and assessing change of risks, and adjusting the risk countermeasures in a timely manner, the Group is able to obtain such risk assessment results as conformed to the actual conditions of the Group.

IV. RISK MANAGEMENT CONDUCTED BY THE GROUP IN 2022

(1) Industry overview and risk indicators monitoring

For the property industry, there were both opportunities and challenges in 2022. The overall industry saw emerging features this year in development scale, brand building, city services, capital markets and other aspects. Urbanisation continued to facilitate the rapid development of the property management industry, the power of capital led to increased competition in the market and improvement in industrial environment created opportunities for value recovery of the property developers, with the property enterprises which have healthy liquidity position gaining more edges in competition and becoming the preferred investment choice.

1. In terms of the risk control strategy, the Group adhered to its operation philosophy of "improving core property management services, enhancing value-added services, and expanding business actively", exploring high-quality projects and revenue generating services, so as to maintain high level of income growth rate. The Group focused on the development of the ability to deliver premium services, promoted the transformation from providing "standardised" services to providing "commercialised" services and improved the property management quality by better examining the implementation of various criteria. With the lifting of the pandemic control measures, economic recovery and the support of favourable policies, the property enterprises with healthy liquidity position are expected to have certain opportunities of mergers and acquisitions as well as revenue generation from value-added services in 2023. To enhance the correctness and rationality of funds use, a comprehensive assessment on the quality of acquisition projects is necessary at the initial due diligence stage.

2. In terms of risk management indicators monitoring, according to the 2022 interim report of the Group, indicators such as profit growth, value-added services and operation efficiency performed better than those of its counterparts, while some indicators such as sales revenues, area under management and the proportion of area under the management of third parties have upside potential compared with the average of listed property enterprises. In light of the above, the Group continued to make improvements based on the existing countermeasures.

(2) Risk countermeasures and the effectiveness

Through the existing risk management system, the Group effectively performs the duties of respective departments in risk prevention and control. The Group identifies and assesses the risk factors that may affect or continue to affect its development objectives, and develops corresponding internal control measures in order to prevent, alleviate or reduce the possible impact of these risks. The main operations of the specific risk management and internal control system are as follows:

1. Strategic review and implementation of incentive mechanisms to cope with the risk of mechanism development not matching the growth speed.

   The Group actively carried out review on strategy formulation and made strategic plans based on the expectations of the capital market and analysis of the corporate capabilities. In addition, the Group continued to review and update various function duties and business strategic plans, fully implemented incentive mechanisms and formulated corresponding systems and measures, making use of the incentives as a driving force.

2. Core property management services improvement by developing new products lines and improving the service quality to cope with the risk of instable business fundamentals.

   In 2022, based on its outstanding experience and development direction, the Group launched three classes of product lines namely "Zhenyue PLUS (臻越PLUS) & Zhenyue(臻越)", "Boyue (鉑越)" and "Xiangyue (享越)", each of which has different service standards and quality. Efforts have also been made to enhance customers' satisfaction, including observation of and benchmarking against other leading enterprises, launch of a special quality improvement program named "The Most Beautiful Series (最美系列)" as well as cultural roadshows in the community. In 2022, the overall residential customers' satisfaction score of the Group significantly improved to 92.1, representing an increase of 3.88 points as compared to 2021.

3. Active business expansion by establishing strategic systems and mechanisms for investments and business developments to cope with the risk of sluggish growth of scale.

   The Group comprehensively reorganised and optimised its management system for investment and business developments, and strengthened the direction of its market strategies. By establishing the strategy of "One Focus, Four Business Types, Four Value-added Services and Five Capabilities (一四四五)", the Group focused on main operating regions in city and the critical path, and provided important guidance on market expansion.

RISK MANAGEMENT REPORT

4. Enhancing value-added services by creating a "new engine" via diversified development to cope with the risk of value-added services not taking a high proportion.

   In new retail segment, the Group enhanced the promotion efficiency and further enlarged the scale of new retail business by combining enterprise side and user side. In agency segment, lease and sales business continued to develop, with an aim to further expand and optimise the agency sales business. In home decoration segment, the Group proactively pursued business transformation by innovatively implementing front-end business pilot to achieve reasonable and balanced business developments.

5. Strengthening the development of functional capabilities to cope with the risk of insufficient functional support for the businesses.

   In construction of organisational system, the Group ensured the supply of talents at all levels, opened up internal promotion pathways and enhanced the effectiveness of remuneration as incentives. In construction of safety system, the Group established a full life cycle safety management system and organised six special activities, setting up itself as a benchmark and an example of safe management of fundamental properties. In construction of digital intelligence system, with "shoring up of weakness", "promoting synergy", "enhancing internal control" and "expanding influence" as its main work guide, the Group strived to promote the full implementation of informationisation of master value chain services.

6. Enhancing internal control and compliance publicity to cope with the risk of insufficient audit supervision.

   The Group focused on "managing risks, enhancing internal control and ensuing compliance" as its goal of work. Special actions such as inspection and research on incentive system, audit of compliance and internal control, review of business expansion projects were carried out so as to promote the improvement in business control mechanism, and continuously improve the management of compliant operation and risk prevention ability. Based on the key points on risk control for each business, the Group assisted each business unit to establish rules and regulations, promoted the rectification of issues identified and improved the ability of internal control and operation. In order to comprehensively enhance the management of compliant operation, the Audit and Legal Department took the lead in compiling the "Guidelines for the Prevention of Legal Risks in Property Management", which was distributed to the project managers, department heads and main cadres of the Group nationwide for study, organised several rounds of special trainings and the compliance publicity of compliance lectures simultaneously, to analyse common problems and typical cases found in special audit and compliance inspection since 2021 from the audit and internal control perspectives, so as to improve the compliance awareness among all employees.

V. INTERNAL CONTROL

The Board is responsible for developing an adequate internal control system for the Group to safeguard the assets of the Group and the interests of the Shareholders. The Audit Committee shall review the internal control system for the current financial year on a half-yearly basis to ensure the system is adequate.

Reporting directly to the Audit Committee on internal control matters, the Audit and Legal Department is responsible for continuously monitoring the workflow and risk assessment of the Group's respective departments to assist the Board and senior management in complying with regulatory requirements and guidelines, thereby improving the efficiency of the internal control system. Through ongoing internal audits from time to time, the Audit and Legal Department will ensure that the internal control system is operating effectively.

During the Year, the internal audit function was performed under the leadership of the Board and the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's internal control system on financial, operational, compliance and business matters and reported the results to the Board. If the Audit and Legal Department identifies any material negligence or significant deficiencies in controls, it will make prompt report to the Audit Committee.

VI. REVIEW ON RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM AND STATEMENT OF EFFECTIVENESS THEREOF

During the Year, the Audit and Legal Department submitted the risk management and internal control report to the Audit Committee for review on a half-yearly basis. The Board has reviewed, through the Audit Committee, the various reports on the risk management and internal control system and conducted a comprehensive review of the Group's risk management and internal control system, and agreed that the Group's risk management and internal control system for the Year was adequate and effective and it will continue to enhance the implementation of the corporate risk management framework and risk control procedures.

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

To the Member of Yuexiu Services Group Limited
(incorporated in Hong Kong with limited liability)

OPINION

WHAT WE HAVE AUDITED

The consolidated financial statements of Yuexiu Services Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 87 to 176, comprise:

- the consolidated balance sheet as at 31 December 2022;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

OUR OPINION

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 Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENCE

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.

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 matters identified in our audit are summarised as follows:

- Estimation of goodwill impairment
- Assessment of the expected credit losses of trade receivables

Key Audit Matter	How our audit addressed the Key Audit Matter
Estimation of goodwill impairment Refer to note 4(c) "Critical accounting estimates and judgements" and note 17 "Intangible assets" to the consolidated financial statements. As at 31 December 2022, the Group had goodwill of approximately RMB260,408,000 which is arisen from the Group's acquisition of two subsidiaries in 2020 (the "2020 Acquired Group" and acquisition of one subsidiary (the "2022 Acquired Subsidiary") in 2022. For the purposes of goodwill impairment assessment, management of the Company ("management") considered the 2020 Acquired Group as one cash-generating-unit (the "CGU") and the 2022 Acquired Subsidiary as one CGU, respectively. With the assistance of an independent external valuer (the "External Valuer"), management has determined the recoverable amount of the CGU based on value-in-use ("VIU") calculation which required management to forecast the future cash flows of the 2020 Acquired Group and 2022 Acquired Subsidiary respectively, based on the approved financial budgets. The key assumptions as adopted in the VIU calculation primarily include (1) annual growth rate of revenue, (2) gross margin, (3) long-term growth rate, and (4) pre-tax discount rate.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested the internal controls over the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as estimation complexity, subjectivity, changes and susceptibility to management bias or fraud; • Assessed the appropriateness of the management's identification of the cash-generating-units based on the Group's accounting policies and our understanding of the Group's business; • Evaluated the competency, capabilities and objectivity of the External Valuer; • Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process; • Involved our internal valuation experts to evaluate the appropriateness of the methodology applied in the impairment assessment and assess the reasonableness of the pre-tax discount rate with reference to those as adopted by comparable listed companies;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the estimation of goodwill impairment because the balance of goodwill is significant and the estimation of VIU is subject to a high degree of estimation uncertainty. The inherent risk in relation to the estimation of goodwill impairment is considered significant due to the subjectivity of significant assumptions used.	• Assessed the reasonableness of the key assumptions adopted by management as below: (i) evaluated the reasonableness of the key assumptions used in the cash flow forecast (including annual growth rate of revenue and gross margin) by comparing them with historical financial data, approved budgets and industry data, and by referencing to the business plan of the 2020 Acquired Group and 2022 Acquired Subsidiary, respectively; (ii) assessed long-term growth rate with reference to the long-term expected inflation rate based on our independent research; • Evaluated the reasonableness of the sensitivity analysis performed by management on the key assumptions adopted in the impairment assessment to assess the potential implication of reasonable changes in key assumptions on the results of the impairment assessment and whether there were any indicators of management bias; and • Assessed the adequacy of the disclosures related to impairment assessment of goodwill. Based on the above, we found that the significant management's judgements and the key assumptions adopted in the goodwill impairment assessment are supportable by the evidence obtained and procedures performed.

Key Audit Matter	How our audit addressed the Key Audit Matter
Assessment of the expected credit losses of trade receivables Refer to note 3.1(b) "Credit risks", note 4(a) "Critical accounting estimates and judgements" and note 20 "Trade and other receivables and prepayments" to the consolidated financial statements. As at 31 December 2022, the gross amount of trade receivables amounted to approximately RMB634,873,000. Management has assessed the expected credit losses ("ECL") of trade receivables and the provision for loss allowance as recognised on trade receivables amounted to RMB31,313,000 as of 31 December 2022. The Group has applied the permitted simplified approach to measure the lifetime ECL for its trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the historical settlement records, aging profiles, credit ratings, financial positions of the customers and other factors that impacted their ability of repayment. Management also took into account of the current market conditions and forward-looking factors.	We have performed the following procedures to address this key audit matter: • Understood, evaluated and tested the internal controls over management's assessment of ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity of model and subjectivity of significant assumptions and data used; • Assessed the appropriateness of the grouping of trade receivables based on shared credit risk characteristics and aging periods, and the credit loss provisioning model adopted by management; • Assessed the reasonableness of management's estimates on expected credit loss rates by reference to the supporting information in relation to the debtors' subsequent settlement, financial position and debt repayment ability etc. and compared management's assessment of the debtors' financial position and debt repayment ability with publicly available information and supporting evidence (e.g. credit rating and industry data etc.); • Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management to the underlying supporting documents;

INDEPENDENT AUDITOR'S REPORT

Key Audit Matter	How our audit addressed the Key Audit Matter
We focused on auditing the assessment of ECL of trade receivables because the balance of trade receivables is significant and the estimation of ECL is subject to a high degree of estimation uncertainty. The inherent risk of ECL is considered significant due to the significant management's judgement and estimates involved.	• Assessed, with the involvement of our internal experts, the reasonableness of management's assessment of forward-looking factors based on our industry knowledge and external macroeconomic data as obtained from our independent research; and • Assessed the adequacy of the disclosures related to ECL of trade receivables. Based on the above, we found that the key judgements and estimates made by management in relation to the assessment of ECL of trade receivables are supportable by the evidence obtained and procedures performed.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE 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 Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

The Audit Committee is 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. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, 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 scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Au Chi Ho.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 8 March 2023

CONSOLIDATED INCOME STATEMENT

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Revenue	5	**2,486,205**	1,918,378
Cost of sales	6	**(1,806,764)**	(1,247,545)
Gross profit		**679,441**	670,833
Administrative expenses	6	**(210,928)**	(161,454)
Net impairment losses on financial and contract assets	3.1(b)	**(3,576)**	(3,692)
Other income	8	**24,849**	14,011
Other gains/(losses) - net	9	**14,407**	(16,025)
Operating profit		**504,193**	503,673
Finance income		**74,813**	23,817
Finance costs		**(3,140)**	(3,421)
Finance income - net	10	**71,673**	20,396
Share of results of a joint venture		**116**	188
Profit before income tax		**575,982**	524,257
Income tax expense	12	**(151,564)**	(154,521)
Profit for the year		**424,418**	369,736
Profit attributable to:			
– Owners of the Company		**416,099**	359,536
– Non-controlling interests		**8,319**	10,200
		424,418	369,736
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	13	**0.27**	0.27

The above consolidated income statement should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Profit for the year		424,418	369,736
Other comprehensive income/(loss)			
Items that may be reclassified subsequently to profit or loss			
– Exchange differences on translation of foreign operations		7,448	(2,450)
Items that will not be reclassified to profit or loss			
– Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax		15	(1,972)
Other comprehensive income/(loss) for the year, net of tax		7,463	(4,422)
Total comprehensive income for the year		431,881	365,314
Total comprehensive income attributable to:			
– Owners of the Company		423,562	355,114
– Non-controlling interests		8,319	10,200
		431,881	365,314

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Assets			
Non-current assets			
Property, plant and equipment	15	36,515	39,437
Right-of-use assets	16	76,394	53,807
Intangible assets	17	344,253	345,883
Interest in a joint venture		933	817
Financial assets at fair value through other comprehensive income	19	32,156	32,202
Deferred income tax assets	25	10,858	10,051
Restricted cash	21	29,147	8,127
		530,256	490,324
Current assets			
Inventories		6,301	1,017
Contract assets	5	37,518	–
Trade and other receivables and prepayments	20	984,777	795,342
Prepaid income taxes		24,097	30,587
Cash and cash equivalents	21	4,360,789	3,803,434
Restricted cash	21	4,108	10,744
		5,417,590	4,641,124
Total assets		5,947,846	5,131,448
Equity			
Equity attributable to owners of the Company			
Share capital	22	2,543,048	2,543,048
Other reserves	23	(332,519)	(366,854)
Retained earnings	23	1,012,036	755,575
		3,222,565	2,931,769
Non-controlling interests		168,661	158,687
Total equity		3,391,226	3,090,456

CONSOLIDATED BALANCE SHEET

	Note	As at 31 December 2022 RMB'000	2021 RMB'000
Liabilities			
Non-current liabilities			
Contract liabilities	5	**439,308**	425,357
Deferred income tax liabilities	25	**58,747**	53,018
Lease liabilities	16	**38,062**	19,529
		536,117	497,904
Current liabilities			
Trade and other payables	24	**1,586,635**	1,301,938
Contract liabilities	5	**355,690**	159,240
Lease liabilities	16	**40,774**	35,494
Current income tax liabilities		**37,404**	46,416
		2,020,503	1,543,088
Total liabilities		**2,556,620**	2,040,992
Total equity and liabilities		**5,947,846**	5,131,448

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 87 to 176 were approved by the Board of Directors on 8 March 2023 and were signed on its behalf

Lin Feng **Zhang Jianguo**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Note	Attributable to owners of the Company					
		Share capital RMB'000 (Note 22)	Other reserves RMB'000 (Note 23)	Retained earnings RMB'000 (Note 23)	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
Balance at 1 January 2021		581,017	(366,346)	399,953	614,624	146,056	760,680
Comprehensive income							
Profit for the year		—	—	359,536	359,536	10,200	369,736
Other comprehensive loss		—	(4,422)	—	(4,422)	—	(4,422)
		—	(4,422)	359,536	355,114	10,200	365,314
Transactions with owners of the Company							
Appropriation of statutory reserves	23	—	3,914	(3,914)	—	—	—
Issuance of ordinary shares	22	1,962,031	—	—	1,962,031	—	1,962,031
Contribution from non-controlling interests for establishment of subsidiaries		—	—	—	—	3,991	3,991
Dividend declared or paid by the companies comprising the Group		—	—	—	—	(1,560)	(1,560)
		1,962,031	3,914	(3,914)	1,962,031	2,431	1,964,462
Balance at 31 December 2021		2,543,048	(366,854)	755,575	2,931,769	158,687	3,090,456
Balance at 1 January 2022		**2,543,048**	**(366,854)**	**755,575**	**2,931,769**	**158,687**	**3,090,456**
Comprehensive income							
Profit for the year		—	—	**416,099**	**416,099**	**8,319**	**424,418**
Other comprehensive income		—	**7,463**	—	**7,463**	—	**7,463**
		—	**7,463**	**416,099**	**423,562**	**8,319**	**431,881**
Transactions with owners of the Company							
Appropriation of statutory reserves	23	—	**26,872**	**(26,872)**	—	—	—
Contribution from non-controlling interests for establishment of subsidiaries		—	—	—	—	**3,215**	**3,215**
Dividend declared and paid by the companies comprising the Group	14	—	—	**(132,766)**	**(132,766)**	**(1,560)**	**(134,326)**
		—	**26,872**	**(159,638)**	**(132,766)**	**1,655**	**(131,111)**
Balance at 31 December 2022		**2,543,048**	**(332,519)**	**1,012,036**	**3,222,565**	**168,661**	**3,391,226**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED CASH FLOW STATEMENT

	Note	Year ended 31 December 2022 RMB'000	2021 RMB'000
Cash flows from operating activities			
Cash generated from operations	26(a)	899,603	1,172,524
Income tax paid		(149,184)	(174,402)
Net cash generated from operating activities		750,419	998,122
Cash flows from investing activities			
Purchases of property, plant and equipment		(16,034)	(14,248)
Purchases of intangible assets		(4,094)	(13,935)
Proceeds from disposal of property, plant and equipment		2,831	852
Acquisition of a subsidiary (net of cash and cash equivalents acquired)	17(ii)	(5,172)	–
Decrease in amounts due from related parties		–	164,907
Net cash (used in)/generated from investing activities		(22,469)	137,576
Cash flows from financing activities			
Proceeds from issues of shares		–	330,000
Contributions from non-controlling interests for establishment of subsidiaries		3,215	3,991
Initial public offering proceeds		–	1,676,702
Payments of listing expenses deducted against equity		–	(44,365)
Decrease in amounts due to related parties	26(b)	–	(130,667)
Increase in amounts due to related parties	26(b)	–	3,321
Dividends paid to shareholders and non-controlling interests	26(b)	(135,886)	(90,203)
Principal elements and interest elements of lease payments	26(b)	(51,777)	(59,752)
Interest paid	26(b)	–	(81)
Net cash (used in)/generated from financing activities		(184,448)	1,688,946
Net increase in cash and cash equivalents		543,502	2,824,644
Cash and cash equivalents at beginning of year		3,803,434	994,629
Effect of exchange rate changes on cash and cash equivalents		13,853	(15,839)
Cash and cash equivalents at end of year	21	4,360,789	3,803,434
Non-cash financing activities	26(b)		

The above consolidated cash flow statement should be read in conjunction with the accompanying notes.

1 GENERAL INFORMATION, REORGANIZATION AND BASIS OF PRESENTATION

1.1 General information

Yuexiu Services Group Limited (the "Company") and its subsidiaries (together, the "Group") are primarily engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services in the People's Republic of China (the "PRC").

The Company is a limited liability company incorporated in Hong Kong on 8 October 2020. The address of its registered office is 26/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Group was spun off from Yuexiu Property Company limited ("Yuexiu Property") and separately listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 28 June 2021. After the listing of the Company, Yuexiu Property remains the controlling shareholder of the Group.

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 8 March 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(i) Compliance with Hong Kong Financial Reporting Standards ("HKFRSs") and Hong Kong Companies Ordinance ("HKCO")

The consolidated financial statements of the Group have been prepared in accordance with HKFRSs and requirements of the HKCO Cap. 622.

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities measured at fair value.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.1 Basis of preparation (continued)

(iii) New and amended standards adopted by the Group (continued)

The Group has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. The adoption of these amended standards and interpretation did not result in any significant impact on the results and financial portion of the Group.

(iv) New standards and interpretations not yet adopted by the Group

The following new standards, amendments to existing standards and interpretations have been published but are not effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group. None of these is expected to have significant effect on the consolidated financial statements of the Group.

		Effective for annual periods beginning on or after
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 8 (Amendments)	Definition of Accounting Estimates	1 January 2023
HKAS 12 (Amendments)	Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	Disclosure of Accounting Policies	1 January 2023
HKFRS 17	Insurance Contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	Applied when an entity applies HKAS 1 (Amendments)

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including a structured entities) over which the Group has control. The Group controls an entity where the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(i) Subsidiaries (continued)

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 2.3).

Inter-company transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet, respectively.

(ii) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group has assessed the nature of its joint arrangement and determined it to be a joint venture. Interest in the joint venture is accounted for using the equity method (see (iii) below), after initially being recognised at cost in the consolidated balance sheet.

(iii) Equity method

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from joint venture are recognised as a reduction in the carrying amount of the investment.

Where the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint venture are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity-accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2.10.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.2 Principles of consolidation and equity accounting (continued)

(iv) Changes in ownership interests in subsidiaries

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognized in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate for an investment because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognized in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognized in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognized in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the Group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.3 Business combinations (continued)

The excess of the:

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

2.4 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

2.5 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors that makes strategic decisions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in RMB, which is the Company's functional currency and the Group's presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognized in profit or loss.

Foreign exchange gains and losses that relate to borrowings are presented in the consolidated income statement within finance income or costs. All other foreign exchange gains and losses are presented in the consolidated income statement on a net basis within other gains or losses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement and statement of comprehensive income are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognized in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognized in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.6 Foreign currency translation (continued)

(iii) Group companies (continued)

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

– Buildings	25-40 years
– Furniture, fixtures and equipment	3-5 years
– Leasehold improvements	3-5 years
– Vehicles	5 years

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

Construction in progress is stated at cost less accumulated impairment losses. Cost includes all attributable costs of bringing the asset to working condition for its intended use. This includes direct costs of construction as well as interest expense capitalized during the period of construction and installation. Capitalization of these costs will cease and the construction in progress is transferred to appropriate categories within property, plant and equipment when the construction activities necessary to prepare the assets for their intended use are completed. No depreciation is provided in respect of construction in progress.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.8 Intangible assets

(i) Goodwill

Goodwill is measured as described in Note 2.3. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or Groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose. The units or Groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes, being the operating segments (Note 5).

(ii) Customer relationships

Customer relationships acquired in a business combination are recognized at fair value at the acquisition date. They have finite useful life of 7 years and 10 years and are subsequently carried at cost less accumulated amortization and impairment losses.

(iii) Computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortized over their estimated useful lives of 2 to 5 years.

2.9 Impairment of non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets that are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash flows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets

(i) *Classification*

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss), and
- those to be measured at amortized cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) *Recognition and measurement*

Regular way purchases and sales of financial assets are recognized on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognized when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(iii) *Measurement*

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Group's right to receive payments is established.

Impairment losses and reversal of impairment losses on equity investments measured at FVOCI are not reported separately from other changes in fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.10 Investments and other financial assets (continued)

(iv) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments and deposits carried at amortized cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognized from initial recognition of the receivables. The provision matrix is determined based on historical observed default rates over the expected life of the trade receivables with similar credit risk characteristics and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

Impairment of other receivables and deposits are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated balance sheets where the Group currently has a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis, or realize the assets and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

2.13 Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of its business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognized initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognized at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortized cost using the effective interest method. See Note 20 for further information about the Group's accounting for trade receivables and Note 3.1 for a description of the Group's impairment policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated cash flow statement, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions and other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Share capital

Ordinary shares are classified as equity (Note 22).

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.16 Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.17 Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Company and its subsidiaries operate and generates taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and considers whether it is probable that a taxation authority will accept an uncertain tax treatment. The Group measures its tax balances either based on the most likely amount or the expected value, depending on which method provides a better prediction of the resolution of the uncertainty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.17 Current and deferred income tax (continued)

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax liabilities are not recognized if they arise from the initial recognition of goodwill. Deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss and does not give rise to equal taxable and deductible temporary differences. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred income tax assets are recognized only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred income tax liabilities and assets are not recognized for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset where there is a legally enforceable right to offset current income tax assets and liabilities and where the deferred income tax balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognized in profit or loss, except to the extent that it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized in other comprehensive income or directly in equity, respectively.

2.18 Employee benefits

(i) Short-term obligations

Liabilities for wages and salaries, including non-monetary benefits and accumulating sick leave that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.18 Employee benefits (continued)

(ii) Pension obligations

The Group participates in various defined contribution plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions calculated as a percentage of the employees' salaries into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan.

The Group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. The contributions are recognized as employee benefit expense when they are due. Prepaid contributions are recognized as an asset to the extent that a cash refund or a reduction in future payments is available.

There were no forfeited contributions (by employers on behalf of employees who leave the scheme prior to vesting fully in such contributions) to offset existing contributions under the defined contribution schemes.

(iii) Housing funds, medical insurances and other social insurances

Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurances and other social insurance plan. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each year. Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of HKAS 37 and involves the payment of terminations benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.19 Provisions

Provisions are recognized when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognized even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognized as interest expense.

2.20 Revenue recognition

The Group provides non-commercial property management and value-added services and commercial property management and operational services. Revenue is recognized in the accounting period in which the services are rendered. Depending on the terms of the contracts and the laws that apply to the contract, control of services may be transferred over time or at a point in time. Except for commission income from carpark space sales assistance services, and revenue from sales of goods which are recognized at a point of time, the Group's revenue is mainly recognized over time.

The Group distinguishes whether the Group is a principal or an agent in the transactions with its customers. When the Group is acting as a principal, the associated revenue is recognized in gross amount and when the Group is acting as an agent, the associated revenue is recognized in net amount.

(i) Non-commercial property management and value-added services

The Group provides non-commercial property management services and value-added services in the PRC and Hong Kong, including property management services in respect of residential properties, public premises and industrial parks, value-added services to non-property owners and community value-added services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

(i) Non-commercial property management and value-added services (continued)

For non-commercial property management services, the Group bills a fixed amount for services provided on a monthly/quarterly basis and recognizes 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 non-commercial property management service income provided under lump sum basis, where the Group acts as a principal and is primary responsible for providing the property management services to the property owners, the Group recognizes the fees received or receivable from property owners as its revenue and all related property management costs as its cost of services.

- For non-commercial property management service income provided under commission basis, the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers to the property owners. The Group recognizes the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units.

Value-added services to non-property owners mainly include (i) provision of sales office and display unit management and pre-delivery support services which are billed on a monthly basis and are recognized as revenue over time when such services are rendered; (ii) carpark space sales assistance services which are recognized as revenue on a net basis when the underlying sales contracts are signed; (iii) preliminary planning and design consultancy services which are recognized as revenue when such services are rendered and accepted by the customer; (iv) integrated design for intelligent system and related services which are recognized as revenue when such services are rendered; (v) revenue from sales of goods is recognised when the Group delivers the goods to the customers; and (vi) revenue from other value-added services which is charged for each service provided and recognized when the relevant services are rendered.

Community value-added services revenue mainly include (i) revenue from home-living services which is charged for each service provided and recognized when the relevant services are rendered; (ii) revenue from space operation services which is recognized over time when the services are rendered; (iii) revenue from pre-owned estate agency services which are recognized at a point in time when the services are rendered; (iv) revenue from decoration services which is recognized over time when the services are rendered; (v) revenue from sales of goods is recognised when the Group delivers the goods to the customers; and (vi) revenue from other community value-added services which is charged for each service provided and recognized when the relevant services are rendered.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

(ii) Commercial property management and operational services

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

- commercial operation and management services provided to property owners, developers and tenants, including commercial property management services and other value-added services; and

- market positioning consultancy and tenant sourcing services to property developers and property owners, including market positioning and management consultancy services and tenant sourcing services.

Commercial property management services provided to property owners, developers and tenants are provided under lump sum basis or commission basis. When the Group acts as principal, revenue is recognized on a gross basis when the related services are rendered and all the related management costs are recognized as its cost of services. When the Group acts as an agent and is primarily responsible for arranging and monitoring the services as provided by other suppliers to the property owners, developers and tenants, the Group recognizes the commission, which is calculated by certain fixed amount or percentage of the total commercial property management fees received or receivable from the property units.

Revenue from market positioning and management consultancy services is recognized when relevant market positioning reports and management consultancy services are delivered and accepted by property developers or owners.

For tenant sourcing services and other value-added services, the Group bills a fixed amount for services provided on a monthly basis and recognizes as revenue the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

If a contract contains multiple services, the transaction price is allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

When either party to a contract has performed, the Group presents the contract in the consolidated balance sheets as a contract asset or a contract liability, depending on the relationship between the Group's performance and the customer's payment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.20 Revenue recognition (continued)

(iii) Contract asset and contract liabilities

A contract asset is the Group's right to consideration in exchange for services that the Group has transferred to a customer.

If a customer pays consideration or the Group has a right to an amount of consideration that is unconditional, before the Group transfers services to the customer, the Group presents the contract as a contract liability when the payment is received or a receivable is recorded (whichever is earlier). A contract liability is the Group's obligation to transfer services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

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

2.21 Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year ended 31 December 2022 and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.22 Interest income

Interest income is recognized on a time-proportion basis using the effective interest method.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases

The Group as a lessee

The Group leases certain properties and car parks. Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

2.23 Leases (continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Payments associated with short-term leases of properties and all leases of low-value assets are recognized on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term.

2.24 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.25 Government grants

Grants from the government are recognized at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognized in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets. Note 8 provides further information on how the Group accounts for government grants.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group's normal operating activities are principally conducted in RMB since most of the operating entities are based in the PRC. The foreign exchange risk mainly arises from monetary assets and liabilities of certain subsidiaries denominated in foreign currencies other than their functional currencies.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the respective balance sheet dates are as follow:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Monetary assets		
– Trade and other receivables and prepayments	**184**	169
– Cash and cash equivalents	**131,700**	990,390
	131,884	990,559

The following table shows the sensitivity analysis of a 5% change in RMB against the relevant foreign currencies. The sensitivity analysis includes only foreign currency denominated monetary items and adjusts their translation at the year-end for a 5% change in foreign currency rates. If there is a 5% increase/decrease in RMB against the relevant currencies, the effect of increase/(decrease) in the profit for the year is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
5% increase in RMB against Hong Kong Dollar ("HKD")	**(5,506)**	(41,356)
5% decrease in RMB against HKD	**5,506**	41,356

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(a) *Market risk* (continued)

(ii) *Price risk*

The Group is exposed to equity securities price risk in its financial assets at FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio. Diversification of the portfolio is done in accordance with the limits set by the Group.

The financial assets at FVOCI are unlisted equity instruments in the PRC and at 31 December 2022, if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB3,175,000 (31 December 2021: RMB3,164,000).

(b) *Credit risk*

The Group is exposed to credit risk in relation to its trade and other receivables, contract assets and cash at banks. The carrying amounts of trade and other receivables, contract assets, cash and cash equivalents and restricted cash represent the Group's maximum exposure to credit risk in relation to financial assets.

To manage this risk, cash at banks are placed with highly reputable financial institutions. The management does not expect that there will be any significant losses from non-performance by these counterparties.

For trade and other receivables and contract assets, the management of the Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverability of these receivables and contract assets at the end of each reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available, reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- actual or expected significant changes in the operating results of individual property owner or the borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers and changes in the operating results of the borrower.

The Group uses four categories for those receivables which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are aligned to external credit ratings.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

Category	Group definition of category	Basis for recognition of expected credit loss provision
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayments are 90 days past due	Lifetime expected losses
Non-performing	Interest and/or principal repayments are 365 days past due	Lifetime expected losses
Write-off	Interest and/or principal repayments are more than 3 years past due and there is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets

The Group applies the HKFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for trade receivables and contract assets. To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Thus, the Group measures the expected credit loss of trade receivables by dividing two groups, trade receivables due from third parties and trade receivables due from related parties. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Future cash flows for each group of receivables and contract assets are estimated on the basis of historical default rates, adjusted to reflect the effects of existing market conditions as well as forward looking information on macroeconomic factors affecting the ability of the customers to settle the receivables and contract assets.

Trade receivables and contract assets with known insolvencies are assessed individually for impairment allowances and are written off when there is no reasonable expectation of recovery. Indicators of insolvencies include, amongst others, the failure of a debtor engage in a repayment plan with the Group, and a failure to make contractual payments.

Trade receivables and contract assets without known insolvencies are assessed on a collective basis based on shared credit risk characteristics.

The Group has assessed that the expected loss rate for trade receivables and contract assets from related parties as at 31 December 2022 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables and contract assets from related parties was recognized.

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(ii) Trade receivables and contract assets (continued)

The expected credit losses below also incorporated forward looking information. As at 31 December 2022 and 2021, the loss allowance provision for the trade receivables and contract assets due from third parties is determined as follows:

Trade receivables	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2022					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	130,128	16,173	6,207	16,850	169,358
Loss allowance provision	6,507	4,852	3,104	16,850	31,313
At 31 December 2021					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	70,119	13,072	6,712	18,704	108,607
Loss allowance provision	3,506	3,922	3,356	18,704	29,488

For contract assets, the ageing was only up to 1 year and the loss allowance provision is determined as follows:

	Up to 1 year RMB'000
At 31 December 2022	
Expected loss rate	5%
Gross carrying amount	5,907
Loss allowance provision	295
At 31 December 2021	
Expected loss rate	5%
Gross carrying amount	—
Loss allowance provision	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other receivables

The Group has assessed that the expected loss rate for other receivables from related parties as at 31 December 2022 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognized.

Other than other receivables from related parties, the Group uses the expected credit loss model in Note (i) to determine the loss allowance provision for other receivables. As at 31 December 2022, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables, except for certain property management costs recoverable from property owners and tenants.

Other receivables due from third parties mainly comprise property management costs recoverable from property owners and tenants, payments on behalf of property owners and tenants for utility charges and guarantee deposits in connection with provision of property management services.

For guarantee deposits, the directors of the Company considered that there was no significant impairment risk as the deposits mainly represented performance guarantees for the property management projects and will be refunded according to the relevant contract terms.

For certain property management costs recoverable from property owners and tenants in the PRC, the loss allowance provision is determined as follows:

	Up to 1 year RMB'000	1 to 2 years RMB'000	2 to 3 years RMB'000	Over 3 years RMB'000	Total RMB'000
At 31 December 2022					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	15,602	5,328	3,060	4,424	28,414
Loss allowance provision	780	1,598	1,530	4,424	8,332
At 31 December 2021					
Expected loss rate	5%	30%	50%	100%	
Gross carrying amount	39,969	3,902	1,894	3,162	48,927
Loss allowance provision	1,998	1,171	947	3,162	7,278

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other receivables (continued)

For the rest of other receivables, which mainly include payments on behalf of property owners and tenants for utility charges, the ageing was only up to 1 year and the loss allowance provision is determined as follows:

	RMB'000
At 31 December 2022	
Expected loss rate	1%
Gross carrying amount	159,464
Loss allowance provision	1,595
At 31 December 2021	
Expected loss rate	1%
Gross carrying amount	119,281
Loss allowance provision	1,193

As there were no significant changes in the customer base, historical credit loss rate of customers and forward-looking information throughout the year, the Group adopted the same expected credit loss rate for trade and other receivables during the year ended 31 December 2022.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Other receivables (continued)

As at 31 December 2022 and 2021, the loss allowance provision for trade and other receivables reconciles to opening loss allowance for that provision as follows:

	Trade receivables (excluding trade receivables from related parties) RMB'000	Other receivables (excluding other receivables from related parties and guarantee deposits) RMB'000	Contract assets (excluding contract assets from related parties) RMB'000	Total RMB'000
At 1 January 2022	29,488	8,471	—	37,959
Net impairment losses on financial assets	1,825	1,456	295	3,576
At 31 December 2022	31,313	9,927	295	41,535
At 1 January 2021	27,462	6,805	—	34,267
Net impairment losses on financial assets	2,026	1,666	—	3,692
At 31 December 2021	29,488	8,471	—	37,959

As at 31 December 2022, the gross carrying amount of trade and other receivables and contract assets was RMB1,019,126,000 (2021: RMB811,585,000) and thus the maximum exposure to loss was RMB977,591,000 (2021: RMB 773,626,000).

3 FINANCIAL RISK MANAGEMENT (continued)

3.1 Financial risk factors (continued)

(c) Liquidity risk

The Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements. Management monitors rolling forecasts of the Group's liquidity reserve which comprises undrawn borrowing facilities and cash and cash equivalents on the basis of expected cash flows. The Group's policy is to regularly monitor current and expected liquidity requirements and its compliance with lending covenants, to ensure that it maintains sufficient reserves of cash and adequate committed lines of funding from major financial institutions to meet its liquidity requirements in the short and longer term.

The table below analyses the Group's financial liabilities into relevant maturity groupings at each balance sheet date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2022					
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	1,301,637	—	—	—	1,301,637
Lease liabilities	44,765	19,021	18,449	3,361	85,596
	1,346,402	19,021	18,449	3,361	1,387,233

	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2021					
Trade and other payables (excluding accrued payroll liabilities and other tax payable)	1,144,706	—	—	—	1,144,706
Lease liabilities	41,480	13,624	2,236	4,226	61,566
	1,186,186	13,624	2,236	4,226	1,206,272

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.2 Capital management

Risk management

The Group's objectives when managing capital are to:

- safeguard their ability to continue as a going concern, so that they can continue to provide returns for shareholders and benefits for other stakeholders, and
- maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet plus net debt.

As at 31 December 2022 and 2021, the Group maintained at net cash position.

3.3 Fair value estimation

(a) Financial assets and liabilities

(i) Fair value hierarchy

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognized and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) *Financial assets and liabilities* (continued)

(i) *Fair value hierarchy* (continued)

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities.

	As at 31 December	
	2022	2021
	Level 3	Level 3
	RMB'000	RMB'000
Financial assets at FVOCI (Note 19)	**32,156**	32,202

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2022.

(ii) *Valuation techniques used to determine fair values*

Specific valuation techniques used to value financial instruments include:

- The fair value of financial assets at FVOCI is derived through the Summation Method. The Summation Method is a method that calculates the value of an asset by the addition of the separate values of its component parts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) *Financial assets and liabilities* (continued)

(iii) *Fair value measurements using significant unobservable inputs (level 3)*

Refer to Note 19 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the years ended 31 December 2022 and 2021.

(iv) *Valuation inputs and relationships to fair value*

The Group measures its financial assets at FVOCI at fair value. Quantitative information about fair value measurements using significant unobservable inputs (Level 3) is as follow:

Description	Fair value at 31 December 2022 RMB'000	Valuation technique	Unobservable inputs
– Unlisted equity security*	30,530	Summation Method	Value of each asset/liability
– Unlisted equity security**	1,626	Summation Method	Value of each asset/liability

Description	Fair value at 31 December 2021 RMB'000	Valuation technique	Unobservable inputs
– Unlisted equity security*	29,942	Summation Method	Value of each asset/liability
– Unlisted equity security**	2,260	Summation Method	Value of each asset/liability

The relationship of unobservable inputs to fair value of this equity investment is the higher value of each asset or the lower value of each liability, the higher the fair value.

* If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB305,000 and RMB299,000 higher/lower at as 31 December 2022 and 2021, respectively.

** If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB12,000 and RMB17,000 higher/lower at as 31 December 2022 and 2021, respectively.

3 FINANCIAL RISK MANAGEMENT (continued)

3.3 Fair value estimation (continued)

(a) *Financial assets and liabilities* (continued)

(v) Fair value of other financial assets and liabilities

The Group also has a number of financial instruments which are not measured at fair value in the balance sheet.

For the trade and other receivables, contract assets, cash and cash equivalents, restricted cash and trade and other payables, the fair values are not materially different from their carrying amounts since majority of these instruments are short-term in nature.

For the lease liabilities, the fair values are not materially different from their carrying amounts since the interest payables of these instruments are close to current market rates.

(vi) Valuation processes

The Group engages external, independent and qualified valuers to determine the fair value of financial assets of FVOCI. As at 31 December 2022, the fair values of the financial assets of FVOCI have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies.

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

(a) Expected credit losses on receivables

The Group makes allowances on receivables based on assumptions about risk of default and expected loss rates. The Group used judgment in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Where the expectation is different from the original estimate, such difference will impact the carrying amount of trade and other receivables and impairment losses of financial assets in the periods in which such estimate has been changed. For details of the key assumptions and inputs used, see Note 3.1 (b) above.

(b) Current and deferred income tax

The Group is subject to corporate income taxes in the mainland China and Hong Kong. Significant judgement is required in determining the amount of the provision for income taxes and the timing of the related payments. There are many transactions and calculations for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such difference will impact income tax and deferred tax provisions in the period in which such determination are made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(b) Current and deferred income tax (continued)

Deferred income tax assets relating to certain temporary differences and tax losses are recognized when management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilized. Where the expectation is different from the original estimate, such difference will impact the recognition of deferred income tax assets and income tax in the period in which such estimate is changed.

(c) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 reporting period, the recoverable amount of cash-generating units ("CGUs") was determined based on value-in-use ("VIU") calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates stated in Note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry. Key assumptions on cash flow projections include sales volume, sales price, budgeted gross margin, long-term growth rate and pre-tax discount rate. The management also considers impact of possible changes in key assumptions on the results of goodwill impairment test.

The goodwill of the Group is arised from two business combinations as completed in November 2020 and October 2022, respectively. As at 31 December 2022, the management considers that there is no goodwill impairment after assessment.

Details of impairment test, key assumptions and impact of possible changes in key assumptions are disclosed in Note 17.

(d) Estimation of the useful life of customer relationships

The Group's customer relationships included in intangible assets (Note 2.8) were identified in the business combination that the Group acquired target companies from Guangzhou Metro Group Co., Ltd. ("GZ Metro"). As at the acquisition date, customer relationships from contracts from GZ Metro amounting to RMB88,273,000 have finite useful life of 10 years. Other than those contracts from GZ Metro, customer relationships amounting to RMB4,099,000 have finite useful life of 7 years.

The revenue of target companies mainly comes from non-commercial property management and value-added services, including metro property management and operational services. Based on the target companies' experience, for metro property management and operational service contacts from GZ Metro, contract termination rarely happened. It is expected that the target companies are likely to provide continuous service for certain projects over 10 years. For contacts from customers other than GZ Metro, taking into account historical attrition rate, the management expects that those contacts will make revenue contribution for at least 7 years. All of the property management and operational service contacts will form stable customer relationships and continue to contribute revenue in the future. The management considers that the estimated useful life of customer relationships of the target companies is consistent with the industry experience.

5 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the CODM. The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the executive directors of the Company.

The Group has two business segments:

– Non-commercial property management and value-added services

The Group provides non-commercial property management and value-added services, covering (a) non-commercial property management services including cleaning, security, gardening and repair and maintenance services; (b) value-added services to non-property owners, including sales office and display unit management and pre-delivery support services, carpark space sales assistance services, ancillary property leasing services, preliminary planning and design consultancy services and other value-added services to non-property owners; (c) community value-added services to meet the needs of property owners and residents of residential properties under the Group's management including decoration services, home-living services, space operation services, and other community value-added services.

– Commercial property management and operational services

The Group is engaged in (a) commercial operation and management services, covering commercial property management services and other value-added services; (b) market positioning consultancy and tenant sourcing services, including market positioning and management consultancy services and tenant sourcing services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

(a) Segment revenue and results

Segment results represent the profit earned by each segment without other income, other gains/(losses) – net, unallocated operating costs, finance income - net and income tax expense. Revenue recognized at a point in time from contracts with customers mainly represents commission income from carpark space sales assistance services and revenue from sales of goods. Other revenue from contracts with customers is recognized over time. The following is the analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2022

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Total RMB'000
Revenue from contracts with customers recognized			
– At a point in time	345,015	—	345,015
– Over time	1,596,090	544,265	2,140,355
Revenue from other sources	—	835	835
Total revenue	1,941,105	545,100	2,486,205
Segment results	358,360	133,236	491,596
Other income			24,849
Other gains - net			14,407
Unallocated operating costs			(26,543)
Finance income - net			71,673
Income tax expense			(151,564)
Profit for the year			424,418
Segment results include:			
Depreciation	31,508	34,550	66,058
Amortization	12,904	—	12,904
Net impairment losses/(reversal of impairment losses) on financial and contract assets	3,856	(280)	3,576
Share of results of a joint venture	(116)	—	(116)

5 SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

For the year ended 31 December 2021

	Non-commercial property management and value-added services RMB'000	Commercial property management and operational services RMB'000	Total RMB'000
Revenue from contracts with customers recognized			
– At a point in time	286,854	18,376	305,230
– Over time	1,138,288	474,331	1,612,619
Revenue from other sources	—	529	529
Total revenue	1,425,142	493,236	1,918,378
Segment results	377,080	153,759	530,839
Other income			14,011
Other losses - net			(16,025)
Unallocated operating costs			(24,964)
Finance income - net			20,396
Income tax expense			(154,521)
Profit for the year			369,736
Segment results include:			
Depreciation	21,227	43,125	64,352
Amortization	10,927	1,033	11,960
Net impairment losses on financial assets	2,064	1,628	3,692
Share of results of a joint venture	(188)	—	(188)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

(a) Segment revenue and results (continued)

An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Non-commercial property management and value-added services		
– Property management services	811,692	642,525
– Value-added services to non-property owners	479,370	340,577
– Community value-added services	650,043	442,040
Commercial property management and operational services		
– Commercial operation and management services	423,475	382,672
– Market positioning consultancy and tenant sourcing services	121,625	110,564
	2,486,205	1,918,378

The Group had a large number of customers, other than ultimate holding company, intermediate holding company, fellow subsidiaries, associates and joint ventures of Yuexiu Property and non-controlling interest of Yuexiu Property and its subsidiaries, none of the customers contributed 10% or more of the Group's revenue for the years ended 31 December 2022 (2021: Nil).

5 SEGMENT INFORMATION (continued)

(b) Segment assets and liabilities

Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment. The Group's financial assets at FVOCI, prepaid income taxes, deferred income tax assets, deferred income tax liabilities and current income tax liabilities are not directly attributable to segments.

The segment assets and liabilities of the Group as at 31 December 2022 and 2021 are as follows:

	Non-commercial property management and value-added services		Commercial property management and operational services		Total	
	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000	2022 RMB'000	2021 RMB'000
Segment assets	3,572,655	2,318,404	966,418	877,304	4,539,073	3,195,708
Financial assets at FVOCI					32,156	32,202
Prepaid income taxes					24,097	30,587
Deferred income tax assets					10,858	10,051
Other corporate assets					1,341,662	1,862,900
Total assets					5,947,846	5,131,448
Segment liabilities	1,974,319	1,418,499	475,997	520,019	2,450,316	1,938,518
Deferred income tax liabilities					58,747	53,018
Current income tax liabilities					37,404	46,416
Other corporate liabilities					10,153	3,040
Total liabilities					2,556,620	2,040,992
Capital expenditure	60,033	26,708	32,545	14,618	92,578	41,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

(c) Geographical distribution

Revenue from external customers by geographical location is as follows:

	Year ended 31 December	
	2022 RMB' 000	2021 RMB' 000
Mainland China	2,411,562	1,850,641
Hong Kong	74,643	67,737
	2,486,205	1,918,378

Non-current assets (other than financial assets at FVOCI and deferred income tax assets) located by geographical location are as follows:

	As at 31 December	
	2022 RMB' 000	2021 RMB' 000
Mainland China	461,836	418,511
Hong Kong	25,406	29,560
	487,242	448,071

(d) Contract assets

The Group has recognised the following assets related to contracts with customers:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Contract assets relating to construction contracts		
– Related parties (Note 29(d))	31,906	—
– Third parties	5,907	—
Less: allowance for impairment of contract assets	(295)	—
	37,518	—

5 SEGMENT INFORMATION (continued)

(d) Contract assets (continued)

(i) *Significant changes in contract assets*

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for service contracts. The Group also recognised a loss allowance for contract assets following the adoption of HKFRS 9, see Note3.1(b) for further information.

(ii) As at 31 December 2022, the amount of contract assets is expected to be completed within one year (31 December 2021: Nil).

(e) Contract liabilities

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

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Contract liabilities		
– Related parties (Note 29(d))	**31,855**	37,217
– Third parties	**763,143**	547,380
	794,998	584,597
Less: non-current portion of contract liabilities	**(439,308)**	(425,357)
Current portion of contract liabilities	**355,690**	159,240

(i) *Significant changes in contract liabilities*

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as at 31 December 2022 as a result of the growth of the Group's business.

(ii) *Revenue recognized in relation to contract liabilities*

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

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Revenue recognized that was included in the balance of contract liabilities at the beginning of the year		
Non-commercial property management and value-added services	**281,494**	158,164
Commercial property management and operational services	**18,571**	5,019
	300,065	163,183

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (continued)

(e) Contract liabilities (continued)

(iii) Unsatisfied long-term decoration services contracts

The following table shows unsatisfied performance obligations resulting from fixed-price decoration services contracts:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Aggregate amount of the transaction price allocated to long-term decoration services contracts that are partially or fully unsatisfied as at 31 December	**539,526**	425,357

Management expects that 19% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2022 will be recognised as revenue during the next reporting period (RMB100,218,000). The remaining 81% (RMB439,308,000) will be recognised in the 2024 financial year. The amount disclosed above does not include variable consideration which is constrained.

All other decoration services contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(f) Unsatisfied performance obligations

For non-commercial property management services, value-added services to non-property owners and commercial property management and operational services, the Group recognizes revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for those types of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts with non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services except for decoration services that are rendered in short period of time, which is generally less than a year, and the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

(g) Assets recognized from incremental costs to obtain a contract

During the year ended 31 December 2022 and 2021, there was no significant incremental costs to obtain a contract.

6 EXPENSES BY NATURE

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses (Note 7)	**938,048**	698,346
Gardening and cleaning	**259,345**	124,198
Subcontractor costs for decoration and other services	**226,950**	117,302
Maintenance costs	**114,886**	87,486
Cost of goods sold	**91,321**	32,167
Depreciation and amortization charges	**78,962**	76,312
Commission fees	**74,122**	71,612
Utilities	**57,975**	54,223
Short-term lease payments (Note 16)	**43,681**	29,589
Cost of consumables	**38,675**	27,583
Consultancy fees	**27,676**	14,473
Promotion and advertising	**17,981**	16,694
Taxes and other levies expenses	**14,656**	15,055
Office expenses	**12,202**	9,791
Travelling and entertainment expenses	**8,431**	7,103
Bank charges	**4,009**	4,030
Auditors' remuneration	**2,850**	2,900
– Audit services	**1,850**	1,800
– Non-audit services	**1,000**	1,100
Listing expenses	**—**	19,766
Others	**5,922**	369
	2,017,692	1,408,999

7 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Wages, salaries and bonuses	**744,856**	547,196
Pension costs, housing benefits and social insurance expenses (Note (a))	**130,086**	105,878
Other employee benefits (Note (b))	**63,106**	45,272
	938,048	698,346

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EMPLOYEE BENEFIT EXPENSES (continued)

(a) Employees in the Group's PRC subsidiaries are required to participate in a defined contribution retirement scheme administrated and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentage of the average employee salary as agreed by local municipal government to the scheme to fund the retirement benefits of the employees. Other than the monthly contributions, the Group pays contributions to privately administered pension insurance plans.

During the year ended 31 December 2022, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2021: Nil).

(b) Other employee benefits mainly represent employee welfare funds, staff education funds and staff union funds.

(c) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 2 directors for the year ended 31 December 2022 and 2021, whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining 3 individuals during the year ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Basic salaries, housing allowances, other allowances and benefits in kind	**1,904**	1,869
Discretionary bonuses	**3,582**	3,261
Contribution to pension scheme	**97**	94
	5,583	5,224

The emoluments fell within the following bands:

	Number of individuals Year ended 31 December	
	2022	2021
Emolument bands		
HKD1,500,001 - HKD2,000,000	**—**	1
HKD2,000,001 - HKD2,500,000	**3**	2
	3	3

8 OTHER INCOME

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Additional input value-added tax deduction (Note (a))	10,365	9,458
Government grants (Note (b))	10,191	3,056
Penalty income	3,613	1,497
Dividends income from financial assets at FVOCI	680	—
	24,849	14,011

(a) The amounts represent additional deduction of value-added tax applicable to certain subsidiaries of the Group providing property management services and value-added services which are related to living services since April 2019.

(b) Government grants mainly contain subsidies granted for job stabilization to the Group and special funds for industrial development. There are no unfulfilled conditions or other contingencies attached to these grants.

9 OTHER GAINS/(LOSSES) – NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Net foreign exchange gains/(losses)	13,853	(15,839)
Losses on disposal of property, plant and equipment	(32)	(140)
Others	586	(46)
	14,407	(16,025)

10 FINANCE INCOME - NET

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Finance income		
Interests income from bank deposits	74,813	23,817
Finance costs		
Interest expense of lease liabilities (Note 16)	(3,140)	(3,340)
Interest expense of amount due to a related party (Note 29(b))	—	(81)
	(3,140)	(3,421)
Finance income – net	71,673	20,396

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES

(a) Subsidiaries

The subsidiaries of the Company as at 31 December 2022 and 2021 are as follows:

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Directly held by the Company:							
Golden Estates Development Limited	The BVI, Limited liability company	United States Dollar ("USD")2	Investment holding in BVI	100%	100%	0%	0%
Zippenes Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Brander Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Richardland Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Greater Rich Group Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Digital Victor Holdings limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Smart Value Enterprises Limited	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Major Benefit Management Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Ever Famous Investments Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Winner Zone Holdings Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
All Plus Enterprises Ltd.	The BVI, Limited liability company	USD2	Investment holding in BVI	100%	100%	0%	0%
Guangzhou Yuexiu Service Co., Ltd. (i)	The PRC, Limited liability company	RMB850,000,000	Investment holding in Mainland of the PRC	100%	100%	0%	0%

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company:							
Guangzhou Yuexiu Property Development Co., Ltd. (i)	The PRC, Limited liability company	RMB100,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou City Construction & Development Weicheng Enterprise Ltd. (i)	The PRC, Limited liability company	RMB955,300	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yueguan Intelligent Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB20,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiuhui Information Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB500,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Weicheng Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB600,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Wanlian Property Management Operation Co., Ltd. (i)	The PRC, Limited liability company	RMB600,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou City Yuexiu Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	60%	60%	40%	40%
Yuexiu Property (Shandong) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Zhongshan Yuexiu Real Estate Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu Property (Jiangmen) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company (Continued):							
Jiangmen Yuexiu Riverside Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	67%	67%	33%	33%
Wuhan Modern Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB500,000	Property management in Mainland of the PRC	70%	70%	30%	30%
Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB100,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiu Commercial Management Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd. ("GZYXJLL") (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	80%	80%	20%	20%
Guangzhou Baima Business Operation Management Co.,Ltd. (i)	The PRC, Limited liability company	RMB19,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Zhonggang Leather Trading Centre Business Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Kangsai Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Lexi Industrial Development Co., Ltd. (i)	The PRC, Limited liability company	RMB50,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yueting International Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Lianxiu Economic Information Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Metro Environmental Engineering Co., Ltd. ("GZMEE") (i)	The PRC, Limited liability company	RMB10,060,000	Property management in Mainland of the PRC	67%	67%	33%	33%

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company (Continued):							
Guangzhou Metro Property Management Co., Ltd. ("GZMPM") (i), (ii)	The PRC, Limited liability company	RMB5,010,000	Property management in Mainland of the PRC	67%	67%	33%	33%
Guangyue Property Management (Guangzhou) Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Property management in Mainland of the PRC	60%	60%	40%	40%
Zhejiang Yuexiu Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB10,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu (Wuhan) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Yuexiu Property (Shenyang) Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Chengbin Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guang Zhou Yue Meiju Industrial Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Interior decoration in Mainland of the PRC	100%	100%	0%	0%
Wuxi Yuexiu Property Development Co., Ltd. (i)	The PRC, Limited liability company	RMB2,000,000	Property management in Mainland of the PRC	51%	51%	49%	49%
Ningbo Yuexiu Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Haiyue Property Service Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Guangdong Yue zhi Dun Security Service Co., Ltd. (i)	The PRC, Limited liability company	RMB12,000,000	Security service in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yueyun Wisdom Technology Co., Ltd. (i)	The PRC, Limited liability company	RMB8,000,000	Property management in Mainland of the PRC	100%	100%	0%	0%
Hubei Yuexiu Construction Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	51%	51%	49%	49%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company (Continued):							
Guangzhou Tianhe District Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Hangzhou Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Nansha District Yuefu Real Estate Brokerage Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Suzhou Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Guangzhou Yuexiu South Intelligence Media Commercial Operation Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	60%	60%	40%	40%
Guangzhou Yuexing Real estate Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Contract consulting Service in Mainland of the PRC	100%	100%	0%	0%
Jiangmen Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Zhongshan Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	100%	0%	0%
Wuxi Yixiu Property Development Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	40.8%	NA	59.2%	NA
Foshan Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Yantai Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Qingdao Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Wuhan Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Chengdu Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company (Continued):							
Shenyang Yuefu Real Estate Agency Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Agency in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yuexiu Yunyue Property Services Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA
Wuhan City Yuexiu Hanjin City Operation Services Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	51%	NA	49%	NA
Wuhan City Yuexiu Smart City Operation Services Co., Ltd. (i)	The PRC, Limited liability company	RMB2,000,000	Property management in Mainland of the PRC	51%	NA	49%	NA
Guangzhou Yuexiu Cultural Tourism Development Co., Ltd. (i)	The PRC, Limited liability company	RMB5,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA
Hainan Yuexiu Kaiwei Property Services Co., Ltd. (i)	The PRC, Limited liability company	RMB2,000,000	Property management in Mainland of the PRC	51%	NA	49%	NA
Guangzhou City Bingxin Property Management Co., Ltd. (i)	The PRC, Limited liability company	RMB6,000,000	Property management in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yuejia Real Estate Consulting Co., Ltd. (i)	The PRC, Limited liability company	RMB3,000,000	Consulting services in Mainland of the PRC	100%	NA	0%	NA
Guangzhou Yuexiu Yicheng South District Commercial Operation Management Co., Ltd. (i)	The PRC, Limited liability company	RMB1,000,000	Commercial service in Mainland of the PRC	100%	NA	0%	NA
Link Access Limited	Hong Kong, Limited liability company	HKD10,868,175	Investment holding in Hong Kong	100%	100%	0%	0%
Fort Fortune Limited	Hong Kong, Limited liability company	HKD10,980,906	Investment holding in Hong Kong	100%	100%	0%	0%
Broadland International Limited	Hong Kong, Limited liability company	HKD21,299,853	Investment holding in Hong Kong	100%	100%	0%	0%

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

Company name	Place of incorporation and kind of legal entity	Registered/ issued and paid-up capital	Principal activities and place of operation	Ownership interest held by the Group		Ownership interest held by non-controlling interests	
				2022	2021	2022	2021
Indirectly held by the Company (Continued):							
Fort Yield Limited	Hong Kong, Limited liability company	HKD1,604,782	Investment holding in Hong Kong	100%	100%	0%	0%
Health International Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Affirm Greatest Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Tristate Investment Development Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Yue Xiu APT Parking Limited	Hong Kong, Limited liability company	HKD28,010,000	Property Management in Hong Kong	100%	100%	0%	0%
Yue Xiu Property Management Limited	Hong Kong, Limited liability company	HKD10,000	Property Management in Hong Kong	100%	100%	0%	0%
Pine Tech Corporation Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Tri-Full Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Fortune Choice (China) Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%
Shun Hing (China) Limited	Hong Kong, Limited liability company	HKD1	Investment holding in Hong Kong	100%	100%	0%	0%

* The English names of the subsidiaries in the PRC represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

11 SUBSIDIARIES (continued)

(a) Subsidiaries (continued)

(i) Significant restrictions

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is RMB3,015,436,000 at 31 December 2022 (31 December 2021: RMB1,897,041,000).

(ii) GZMPM is a wholly-owned subsidiary of GZMEE (collectively, the "GZMEE Group").

(b) Subsidiary with material non-controlling interests

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

Summarised consolidated balance sheet	GZMEE Group	
	2022 RMB'000	2021 RMB'000
Current assets	220,867	184,338
Current liabilities	(62,509)	(58,824)
Current net assets	158,358	125,514
Non-current assets	80,525	86,521
Non-current liabilities	(22,749)	(20,572)
Non-current net assets	57,776	65,949
Net assets	216,134	191,463
Accumulated non-controlling interests ("NCI")	155,932	146,781

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 SUBSIDIARIES (continued)

(b) Subsidiary with material non-controlling interests (continued)

Summarised consolidated statement of comprehensive income	GZMEE Group	
	2022 RMB'000	2021 RMB'000
Revenue	291,335	237,740
Profit for the year	27,731	27,100
Other comprehensive income	—	—
Total comprehensive income	27,731	27,100
Profit allocated to NCI	9,151	8,943
Dividends paid to NCI	—	—

Summarised cash flows	GZMEE Group	
	2022 RMB'000	2021 RMB'000
Cash flows from operating activities	31,294	26,902
Cash flows from investing activities	(1,378)	(827)
Cash flows from financing activities	(1,035)	(2,000)
Net increase in cash and cash equivalents	28,881	24,075

12 INCOME TAX EXPENSE

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Current taxation		
Current income tax	134,450	138,074
Corporate withholding income tax	12,131	—
Deferred taxation		
Deferred income tax	(1,162)	(2,240)
Corporate withholding income tax on undistributed profits	6,145	18,687
	151,564	154,521

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	575,982	524,257
Tax calculated at applicable corporate income tax rate	143,996	133,334
– Effect of different tax rates applicable to certain subsidiaries	(7,576)	(3,780)
– Income not subject to tax	(3,687)	—
– Expenses not deductible for tax purposes	596	1,120
– Additional deduction for tax incentives	—	(63)
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	681	5,331
– Utilization of previously unrecognized tax losses	(693)	(61)
– Share of results of a joint venture	(29)	(47)
– Corporate withholding income tax	18,276	18,687
Income tax expense	151,564	154,521

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

12 INCOME TAX EXPENSE (continued)

Hong Kong profit tax

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax regime, the first HKD2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

The two-tiered profits tax regime was applicable to certain Group companies incorporated in Hong Kong during the year ended 31 December 2022 and 2021.

PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC were qualified as "Small Low-Profit Enterprise" and taxed at the reduced tax rate of 20% from 1 January 2008. During the year ended 31 December 2022, the "Small Low-Profit Enterprise" whose taxable income less than RMB3 million enjoy the preferential income tax treatment with the income tax rate of 20% and are eligible to have their tax calculated based on 12.5% or 25% of their taxable income.

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the Hong Kong holding companies satisfied the requirements of the tax treaty arrangements between the PRC and Hong Kong.

Guangzhou Yueguan Intelligent Technology Co., Ltd. ("Yueguan Intelligent") is qualified as a "High and New Technology Enterprise" in 2019. It is subject to a reduced preferential enterprise income tax rate of 15% since 1 January 2019. On 12 December 2022, the filing of Yueguan Intelligent's renewal of the High and New Technology Enterprise qualification for another 3 years starting from 1 January 2022 was completed.

13 EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the year ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Profit attributable to owners of the Company	**416,099**	359,536
Weighted average number of ordinary shares (in thousands)	**1,522,030**	1,308,445
Basic and diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	**0.27**	0.27

14 DIVIDENDS

The dividends declared and paid in 2022 were RMB132,766,000 (2021:Nil). The directors proposed a final dividend of HKD0.109 per ordinary share, totaling approximately RMB146 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 May 2023. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Final, proposed, of HKD0.109 equivalent to RMB0.096 (2021: HKD0.102 equivalent to RMB0.083) per ordinary share	**145,635**	132,766
	145,635	132,766

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15 PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2021						
Opening net book amount	4,896	32,338	2,277	1,189	384	41,084
Additions	—	5,378	1,137	228	7,505	14,248
Transfer	—	7,155	—	—	(7,155)	—
Disposals	—	(955)	—	(37)	—	(992)
Depreciation charge	(397)	(11,932)	(2,344)	(230)	—	(14,903)
Closing net book amount	4,499	31,984	1,070	1,150	734	39,437
As at 31 December 2021						
Cost	6,071	69,425	8,427	6,206	734	90,863
Accumulated depreciation	(1,572)	(37,441)	(7,357)	(5,056)	—	(51,426)
Net book amount	4,499	31,984	1,070	1,150	734	39,437

	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Leasehold improvements RMB'000	Vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2022						
Opening net book amount	4,499	31,984	1,070	1,150	734	39,437
Additions	—	15,133	477	424	—	16,034
Acquisition of a subsidiary	—	102	—	—	—	102
Disposals	—	(1,975)	(57)	(97)	(734)	(2,863)
Depreciation charge	(190)	(14,803)	(871)	(331)	—	(16,195)
Closing net book amount	4,309	30,441	619	1,146	—	36,515
As at 31 December 2022						
Cost	6,071	77,825	8,847	4,783	—	97,526
Accumulated depreciation	(1,762)	(47,384)	(8,228)	(3,637)	—	(61,011)
Net book amount	4,309	30,441	619	1,146	—	36,515

15 PROPERTY, PLANT AND EQUIPMENT (continued)

Depreciation expenses were charged to the following categories in the consolidated income statement:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	14,000	13,266
Administrative expenses	2,195	1,637
	16,195	14,903

(a) No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2022 and 2021.

16 LEASES

(i) Amounts recognized in the consolidated balance sheet are as follows:

Right-of-use assets

	Properties RMB'000
Year ended 31 December 2021	
Opening net book amount	100,017
Additions	18,131
Termination	(14,892)
Depreciation charge	(49,449)
Closing net book amount	53,807
As at 31 December 2021	
Cost	212,164
Accumulated depreciation	(158,357)
Net book amount	53,807
Year ended 31 December 2022	
Opening net book amount	53,807
Additions	72,450
Depreciation charge	(49,863)
Closing net book amount	76,394
As at 31 December 2022	
Cost	250,935
Accumulated depreciation	(174,541)
Net book amount	76,394

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 LEASES (continued)

(i) Amounts recognized in the consolidated balance sheet are as follows: (continued)

Lease liabilities

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Lease liabilities		
Current	40,774	35,494
Non-current	38,062	19,529
	78,836	55,023

(ii) Amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Depreciation charge of right-of-use assets	49,863	49,449
Interest expense (included in finance cost) (Note 10)	3,140	3,340
Expenses relating to short-term leases (included in cost of sales and administrative expenses) (Note 6)	43,681	29,589

The total cash outflow for leases for the years ended 31 December 2022 was RMB95,458,000 (2021: RMB89,341,000).

(iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices, parking lots and dormitories. Rental contracts are typically made for fixed periods of 3 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

17 INTANGIBLE ASSETS

	Goodwill RMB'000	Customer relationships RMB'000	Computer software RMB'000	Total RMB'000
Year ended 31 December 2021				
Opening net book amount	248,344	91,588	3,976	343,908
Additions	4,988	—	8,947	13,935
Amortization	—	(9,413)	(2,547)	(11,960)
Closing net book amount	253,332	82,175	10,376	345,883
As at 31 December 2021				
Cost	253,332	92,372	18,805	364,509
Accumulated amortization	—	(10,197)	(8,429)	(18,626)
Net book amount	253,332	82,175	10,376	345,883
Year ended 31 December 2022				
Opening net book amount	253,332	82,175	10,376	345,883
Additions	—	—	4,094	4,094
Acquisition of a subsidiary (Note (ii))	7,076	—	104	7,180
Amortization	—	(9,413)	(3,491)	(12,904)
Closing net book amount	260,408	72,762	11,083	344,253
As at 31 December 2022				
Cost	260,408	92,372	23,003	375,783
Accumulated amortization	—	(19,610)	(11,920)	(31,530)
Net book amount	260,408	72,762	11,083	344,253

Amortization of intangible assets has been charged to the following categories in the consolidated income statement:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Cost of sales	12,904	11,960

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INTANGIBLE ASSETS (continued)

(i) No intangible asset was restricted or pledged as security for liabilities as at 31 December 2022 and 2021.

(ii) On 31 October 2022, the Group acquired 100% of the equity interest in the Guangzhou City Bingxin Property Management Co., Ltd. (the "BingXin Property Management") at a total consideration of RMB9.5 million from Guangzhou Chimelong Group Co.,Ltd.

At the same day, the net cash outflows from acquisition of BingXin Property Management is RMB5,172,000.

(iii) Impairment test for goodwill

The goodwill arised from the acquisition of GZMEE Group in 2020 and the acquisition of Bingxin Property Management in 2022. Goodwill arising from acquisition of GZMEE Group and Bingxin Property Management is monitored by the management at the level of non-commercial property management and value-added services CGUs respectively. Goodwill has been assessed based on the related CGUs for impairment testing.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2022 and 2021:

	As at 31 December	
	2022	2021
For GZMEE Group CGU:		
Revenue (% annual growth rate)	**7%-28%**	10%-20%
Gross margin (% of revenue)	**16%-18%**	21%-23%
Long-term growth rate	**3%**	3%
Pre-tax discount rate	**19.85%**	19.29%
For Bingxin Property Management CGU:		
Revenue (% annual growth rate)	**1%-32%**	N/A
Gross margin (% of revenue)	**28%-36%**	N/A
Long-term growth rate	**3%**	N/A
Pre-tax discount rate	**18.66%**	N/A

Management has determined the values assigned to each of the above key assumptions as follows:

Assumption	Approach used to determining values
Revenue	Annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development.
Gross margin	Based on past performance and management's expectations for the future.
Long-term growth rate	This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports.
Pre-tax discount rate	Reflect specific risks relating to the relevant CGU.

17 INTANGIBLE ASSETS (continued)

(iii) Impairment test for goodwill (continued)

The goodwill of RMB253,332,000 and RMB7,076,000 represents the excess of the acquisition consideration transferred and amount of non-controlling interests in the GZMEE Group, and the acquisition consideration transferred in Bingxin Property Management over the fair value of the net identifiable assets acquired as at the acquisition date, respectively. By reference to the recoverable amount assessed by the independent external valuer as at 31 December 2022, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2022 (31 December 2021: Nil). Such recoverable amounts of the CGUs are determined based on VIU calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGUs and suitable discount rates in order to calculate the present value.

Impact of possible changes in key assumptions

As at 31 December 2022, if the budgeted revenue used in the VIU calculation for the GZMEE Group CGU had been decreased by 15.36% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated gross profit margins used in the VIU calculation for the CGU had been 2.64% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated long-term growth rate used in the VIU calculation for the CGU had been 6.97% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the pre-tax discount rate applied to the cash flow projections of the CGU had been 3.50% higher than management's estimates, the Group would have had to recognise an impairment against goodwill.

As at 31 December 2022, if the budgeted revenue used in the VIU calculation for the Bingxin Property Management CGU had been decreased by 52.84% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated gross profit margins used in the VIU calculation for the CGU had been 17.66% lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the pre-tax discount rate applied to the cash flow projections of the CGU had been 46.39% higher than management's estimates, the Group would have had to recognise an impairment against goodwill.

Except for the above changes, the management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

(iv) The customer relationships were acquired as part of a business combination. They are recognized at their fair value at the date of acquisition and are subsequently amortized on a straight-line basis over their estimated useful lives of 7 years and 10 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 FINANCIAL INSTRUMENTS BY CATEGORY

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Financial asset at amortized costs		
Trade and other receivables and prepayments (excluding prepayments and other prepaid taxes) (Note 20)	940,073	773,626
Cash and cash equivalents (Note 21)	4,360,789	3,803,434
Restricted cash (Note 21)	33,255	18,871
	5,334,117	4,595,931
Financial assets at fair value through other comprehensive income (Note 19)	32,156	32,202
	5,366,273	4,628,133
Financial liabilities at amortized costs		
Trade and other payables (excluding accrued payroll liabilities and other taxes payables) (Note 24)	1,301,637	1,144,706
Lease liabilities (Note 16)	78,836	55,023
	1,380,473	1,199,729

19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

(i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

(ii) Equity investments at FVOCI

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Non-current assets		
Unlisted equity instruments		
– Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd. ("Mingte")	**1,626**	2,260
– Guangzhou Yuetou Commercial Factoring Co.,Ltd. ("Yuetou Commercial Factoring")	**30,530**	29,942
	32,156	32,202

As at 31 December 2022 and 2021, the unlisted equity instruments at FVOCI represent the Group's 5% and 10% equity interests in Mingte and Yuetou Commercial Factoring, respectively.

(iii) Movements in financial assets at FVOCI during the years ended 31 December 2022 and 2021 are as follows:

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Opening balance	**32,202**	34,784
Losses recognized in other comprehensive income	**(46)**	(2,582)
Closing balance	**32,156**	32,202

As at 31 December 2022, financial assets at FVOCI were all denominated in RMB.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables (Note (a))		
– Related parties (Note 29(d))	**465,515**	437,925
– Third parties	**169,358**	108,607
	634,873	546,532
Less: allowance for impairment of trade receivables (Note 3.1(b))	**(31,313)**	(29,488)
	603,560	517,044
Other receivables		
– Property management costs recoverable from third parties (Note (b))	**62,966**	55,169
– Property management costs recoverable from related parties (Note (b) and Note 29(d))	**53,600**	26,583
– Payments on behalf of third–party residents and tenants (Note (c))	**86,249**	73,773
– Guarantee deposits paid to related parties (Note (d) and Note 29(d))	**27,144**	21,553
– Guarantee deposits paid to third parties (Note (d))	**34,636**	23,349
– Others		
– Related parties	**43,182**	25,360
– Third parties	**38,663**	39,266
	346,440	265,053
Less: allowance for impairment of other receivables (Note 3.1(b))	**(9,927)**	(8,471)
	336,513	256,582
Prepayments		
– Related parties (Note 29(d))	**601**	—
– Third parties	**23,846**	7,236
	24,447	7,236
Other prepaid taxes	**20,257**	14,480
Total	**984,777**	795,342

20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (continued)

(a) Trade receivables mainly arise from property management services.

Non-commercial property management and value-added services income and commercial property management and operational service income under lump sum basis are received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by property owners and tenants upon the issuance of demand notes.

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
0-30 days	**272,534**	221,317
31-180 days	**229,627**	205,092
181-365 days	**64,069**	70,471
1 to 2 years	**41,807**	17,808
2 to 3 years	**7,611**	9,643
Over 3 years	**19,225**	22,201
	634,873	546,532

As at 31 December 2022, a provision of RMB31,313,000 (2021:RMB29,488,000) was made against the gross amounts of trade receivables (Note 3.1(b)).

(b) The amounts mainly represent costs incurred in relation to property management services provided under commission basis which could be recovered from property owners and tenants.

(c) The amounts represent payments of utility charges on behalf of third-party property owners and tenants.

(d) The amounts mainly represent performance guarantee deposits paid to property owners for the provision of property management services.

(e) As at 31 December 2022 and 2021, trade and other receivables were mainly denominated in RMB and the fair value of trade and other receivables approximated their carrying amounts.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Cash at banks and on hand balances (Note a)	**4,394,044**	3,822,305
Less: restricted cash (Note c)	**(33,255)**	(18,871)
Cash and cash equivalents	**4,360,789**	3,803,434

(a) Cash at banks and on hand were denominated in the following currencies:

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
RMB	**4,262,344**	2,770,817
HKD	**131,700**	1,051,488
	4,394,044	3,822,305

(b) Classification as cash equivalents

Term deposits are presented as cash equivalents as they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

(c) Restricted cash

Restricted cash represents deposits for the provision of property management services according to the requests by property owners.

22 SHARE CAPITAL

	Number of shares 31 December 2022	Number of shares 31 December 2021	Share capital 31 December 2022 RMB'000	Share capital 31 December 2021 RMB'000
Issued and fully paid	1,522,030,177	1,522,030,177	2,543,048	2,543,048

23 RESERVES AND RETAINED EARNINGS

	Statutory reserves RMB'000	Other reserves RMB'000	Total other reserves RMB'000	Retained earnings RMB'000
As at 1 January 2021	23,962	(390,308)	(366,346)	399,953
Profit for the year	—	—	—	359,536
Appropriation of statutory reserves (Note (a))	3,914	—	3,914	(3,914)
Changes in fair value of financial assets at FVOCI, net of tax	—	(1,972)	(1,972)	—
Exchange differences on translation of foreign operations	—	(2,450)	(2,450)	—
As at 31 December 2021	27,876	(394,730)	(366,854)	755,575
As at 1 January 2022	27,876	(394,730)	(366,854)	755,575
Profit for the year	—	—	—	416,099
Appropriation of statutory reserves (Note (a))	26,872	—	26,872	(26,872)
Changes in fair value of financial assets at FVOCI, net of tax	—	15	15	—
Exchange differences on translation of foreign operations	—	7,448	7,448	—
Dividend provided for or paid	—	—	—	(132,766)
As at 31 December 2022	54,748	(387,267)	(332,519)	1,012,036

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 RESERVES AND RETAINED EARNINGS (continued)

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, companies incorporated in the PRC are required to transfer no less than 10% of their profit after taxation calculated under the PRC accounting standards and regulations to the statutory reserve fund before distribution of profit after income tax, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

24 TRADE AND OTHER PAYABLES

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade payables (Note (a))		
– Related parties (Note 29(d))	**23,315**	13,783
– Third parties	**329,792**	152,795
	353,107	166,578
Other payables		
– Advances for property management services from related parties (Note (b) and Note 29(d))	**48,415**	62,378
– Advances for property management services from third parties (Note (b))	**252,619**	257,626
– Guarantee deposits received from related parties (Note (c) and Note 29(d))	**86,313**	61,142
– Guarantee deposits received from third parties (Note (c))	**298,305**	268,955
– Receipts on behalf of residents or tenants from related parties (Note (d) and Note 29(d))	**4,076**	2,158
– Receipts on behalf of residents or tenants from third parties (Note (d))	**144,202**	155,823
– Dividend payables	**—**	1,560
– Accrued expenses to third parties	**91,649**	72,374
– Accrued expenses to related parties	**1,060**	160
– Accrued payroll liabilities	**201,965**	148,245
– Other tax payables and others	**104,924**	104,939
	1,233,528	1,135,360
Trade and other payables	**1,586,635**	1,301,938

24 TRADE AND OTHER PAYABLES (continued)

(a) As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Up to 1 year	331,270	146,473
1 to 2 years	4,140	4,389
2 to 3 years	3,524	4,511
Over 3 years	14,173	11,205
	353,107	166,578

(b) The amounts represent advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under commission basis.

(c) The amounts mainly represent performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants.

(d) The amounts mainly represent advances received from property owners and tenants for settlement of their utility charges.

(e) As at 31 December 2022 and 2021, trade and other payables were denominated in the following currencies:

	As at 31 December	
	2022 RMB'000	2021 RMB'000
RMB	1,584,965	1,298,656
HKD	1,670	3,282
	1,586,635	1,301,938

(f) As at 31 December 2022, the carrying amounts of trade and other payables approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 DEFERRED INCOME TAX

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Deferred income tax assets:		
– To be recovered within 12 months	11,014	10,528
– Offsetting	(156)	(477)
	10,858	10,051
Deferred income tax liabilities:		
– To be recovered within 12 months	2,353	2,353
– To be recovered after more than 12 months	56,550	51,142
– Offsetting	(156)	(477)
	58,747	53,018

Movements in deferred income tax assets and liabilities during the years ended 31 December 2022 and 2021, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

Deferred income tax assets	Allowance for impairment of trade and other receivables and contract assets RMB'000	Net impact of right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	9,302	1,226	10,528
Credited/(charged) to profit or loss	685	(199)	486
As at 31 December 2022	9,987	1,027	11,014
As at 1 January 2021	8,420	925	9,345
Credited to profit or loss	882	301	1,183
As at 31 December 2021	9,302	1,226	10,528

25 DEFERRED INCOME TAX (continued)

Deferred income tax liabilities	Revaluation of financial assets at FVOCI RMB'000	Impact of withholding tax RMB'000	Customer relationships RMB'000	Net impact of right-of-use assets and lease liabilities RMB'000	Total RMB'000
As at 1 January 2022	180	31,476	20,543	1,296	53,495
Charged/(credited) to profit or loss	—	6,145	(2,353)	1,677	5,469
Credited to other comprehensive income	(61)	—	—	—	(61)
As at 31 December 2022	119	37,621	18,190	2,973	58,903
As at 1 January 2021	790	12,789	22,896	—	36,475
Charged/(credited) to profit or loss	—	18,687	(2,353)	1,296	17,630
Credited to other comprehensive income	(610)	—	—	—	(610)
As at 31 December 2021	180	31,476	20,543	1,296	53,495

As at 31 December 2022, the Group had not recognized deferred income tax assets in respect of cumulative tax losses of RMB68,846,000 (2021: RMB68,228,000) as it is not probable that future taxable profits against which the losses can be utilized. As at 31 December 2022, the unused tax losses amounting to RMB21,796,000 (2021: RMB24,023,000) can be carried forward against future taxable income under the PRC enterprise income tax law and these tax losses will expire at various dates up to and including 2027 and 2026, respectively. The remaining tax losses have no expiry date.

As at 31 December 2022 and 2021, the Group has recognized deferred income tax liabilities arising from undistributed profits from the Group's subsidiaries in the PRC to their immediate holding companies in Hong Kong.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CASH FLOW INFORMATION

(a) Cash generated from operations

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Profit before income tax	575,982	524,257
Adjustments for:		
– Depreciation of property, plant and equipment (Note 15)	16,195	14,903
– Depreciation of right-of-use assets (Note 16)	49,863	49,449
– Amortization of intangible assets (Note 17)	12,904	11,960
– Net impairment losses on financial and contract assets	3,576	3,692
– Losses on disposal of property, plant and equipment (Note 9)	32	140
– Gains on disposal of right-of-use assets	—	(1,056)
– Share of results of a joint venture	(116)	(188)
– Net foreign exchange (gains)/losses (Note 9)	(13,853)	15,839
– Finance costs (Note 10)	3,140	3,421
	647,723	622,417
Changes in working capital:		
– Inventories	(5,274)	(118)
– Trade and other receivables and prepayments	(184,092)	(105,057)
– Contract assets	(37,813)	—
– Contract liabilities	210,331	421,414
– Restricted cash	(14,384)	(5,274)
– Trade and other payables	283,112	239,142
	899,603	1,172,524

26 CASH FLOW INFORMATION (continued)

(b) Reconciliation of liabilities arising from financial activities is as follow:

	Other payables - amounts due to related parties RMB'000	Other payables - interest payables RMB'000	Lease liabilities RMB'000	Dividend payable RMB'000	Total RMB'000
As at 1 January 2021	127,346	—	109,252	90,203	326,801
Cash flows					
– Inflow from financing activities	3,321	—	—	—	3,321
– Outflow from financing activities	(130,667)	(81)	(59,752)	(90,203)	(280,703)
Non-cash changes					
– Addition - leases	—	—	18,131	—	18,131
– Termination - leases	—	—	(15,948)	—	(15,948)
– Finance expense recognized	—	81	3,340	—	3,421
– Dividend provided	—	—	—	1,560	1,560
As at 31 December 2021	—	—	55,023	1,560	56,583
As at 1 January 2022	—	—	55,023	1,560	56,583
Cash flows					
– Outflow from financing activities	—	—	(51,777)	(135,886)	(187,663)
Non-cash changes					
– Addition - leases	—	—	72,450	—	72,450
– Finance expense recognized	—	—	3,140	—	3,140
– Dividend provided	—	—	—	134,326	134,326
As at 31 December 2022	—	—	78,836	—	78,836

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 NON-CANCELLABLE OPERATING LEASES

At 31 December 2022, the Group had future minimum rental payments receivable under certain non- cancellable leases as follows:

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Not later than one year	**355**	2,236
Later than one year and not later than five years	**709**	1,064
	1,064	3,300

28 COMMITMENT

Operating lease commitments – as lessee

The Group leases offices and staff dormitories under non-cancellable operating lease agreements. The lease terms are between one month and 6 years.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

The portfolio of short-term leases as at 31 December 2022 and 2021 is similar to the portfolio of short-term leases recognized as expenses disclosed in Note 7 for the years ended 31 December 2022 and 2021, the Group elected not to disclose the commitments for short-term leases.

Save as disclosed above, there was no material capital commitments as at 31 December 2022 and 2021.

29 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited, which is a limited liability company incorporated in the PRC and whose place of operation is the mainland of the PRC. The table set below summarises the names of significant related parties, with whom the Group had significant transactions during the year ended 31 December 2022, and their relationship with the Company as at 31 December 2022:

Significant related parties	Relationship with the Group
Yuexiu Property	Intermediate holding company
Guangzhou Construction & Development Holdings (China) Limited ("GCD China")	Immediate holding company
GZ Metro	Non-controlling shareholder of Yuexiu Property

29 RELATED PARTY TRANSACTIONS (continued)

(b) Transactions with related parties

The following is a summary of the significant transactions carried out between the Group and its related parties during the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Provision of services (Note (ii))		
– Ultimate holding company	624	5
– Intermediate holding company	61	180
– Fellow subsidiaries	698,297	553,514
– Non-controlling interests of Yuexiu Property and its subsidiaries	253,195	207,690
– Associates and joint ventures of Yuexiu Property	89,432	41,443
	1,041,609	802,832
Purchase of goods and services		
– Fellow subsidiaries	3,556	1,297
Interest expense on loans from a related party		
– A fellow subsidiary	—	81
Additions of right-of-use assets		
– Fellow subsidiaries	12,640	1,122
– Non-controlling interests of Yuexiu Property and its subsidiaries	4,850	—
– Associates and joint ventures of Yuexiu Property	4,383	—
	21,873	1,122
Rental expenses (short-term leases)		
– Fellow subsidiaries	3,949	7,835
– Non-controlling interests of Yuexiu Property and its subsidiaries	1,959	766
– Associates and joint ventures of Yuexiu Property	17,286	16,690
	23,194	25,291

(i) All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(ii) The provision of services to related parties comprise the provision of non-commercial property management and value-added services and commercial property management and operational services.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 RELATED PARTY TRANSACTIONS (continued)

(c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 31 is set out below.

	Year ended 31 December	
	2022 RMB'000	2021 RMB'000
Salaries and other short-term employee benefits	3,171	2,621

(d) Balances with related parties

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Trade receivables (Note (i))		
– Ultimate holding company	228	—
– Intermediate holding company	—	135
– Fellow subsidiaries	361,562	329,864
– Non-controlling interests of Yuexiu Property and its subsidiaries	54,310	59,868
– Associates and joint ventures of Yuexiu Property	49,415	48,058
	465,515	437,925
Contract assets (Note (i))		
– Fellow subsidiaries	31,453	—
– Associates and joint ventures of Yuexiu Property	453	—
	31,906	—
Other receivables (Note (ii))		
– Ultimate holding company	1,401	—
– Fellow subsidiaries	57,582	24,172
– Non-controlling interests of Yuexiu Property and its subsidiaries	942	205
– Associates and joint ventures of Yuexiu Property	64,001	49,119
	123,926	73,496
Prepayments (Note (i))		
– Fellow subsidiaries	601	—
Trade payables (Note (i))		
– Fellow subsidiaries	16,263	4,409
– Non-controlling interests of Yuexiu Property and its subsidiaries	3,197	1,975
– Associates and joint ventures of Yuexiu Property	3,855	7,399
	23,315	13,783

29 RELATED PARTY TRANSACTIONS (continued)

(d) Balances with related parties (continued)

	As at 31 December	
	2022 RMB'000	2021 RMB'000
Other payables (Note (iii))		
– Ultimate holding company	1,576	—
– Intermediate holding company	—	245
– Fellow subsidiaries	101,601	85,513
– Non-controlling interests of Yuexiu Property and its subsidiaries	170	1
– Associates and joint ventures of Yuexiu Property	36,517	56,527
	139,864	142,286
Contract liabilities (Note (i))		
– Fellow subsidiaries	26,826	36,731
– Non-controlling interests of Yuexiu Property and its subsidiaries	2,281	15
– Associates and joint ventures of Yuexiu Property	2,748	471
	31,855	37,217
Bank deposits (Note (i))		
– A fellow subsidiary	80,069	583,800
Lease liabilities		
– Fellow subsidiaries	15,080	—
– Non-controlling interests of Yuexiu Property and its subsidiaries	3,950	439
– Associates and joint ventures of Yuexiu Property	5,074	11,882
	24,104	12,321

(i) The balances of trade receivables, prepayments, trade payables and contract liabilities were unsecured and interest free. The balances of bank deposits were unsecured and with interest rate in accordance with normal commercial terms.

(ii) The balances due from related parties as at 31 December 2022 and 2021 were mainly costs to be recovered from property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

(iii) The balances due to related parties as at 31 December 2022 and 2021 were mainly costs prepaid by property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

	Note	As at 31 December 2022 RMB'000	As at 31 December 2021 RMB'000
Assets			
Non-current assets			
Investments in subsidiaries		601,016	601,016
Current assets			
Other receivable and prepayments		503,347	50,655
Dividend receivables		343,948	164,398
Cash and cash equivalents		1,310,752	1,862,731
Total assets		2,759,063	2,678,800
Equity			
Equity attributable to owners of the Company			
Share capital	22	2,543,048	2,543,048
Retained earnings		202,710	126,168
Total equity		2,745,758	2,669,216
Liabilities			
Current liabilities			
Other payables		13,305	9,584
Total liabilities		13,305	9,584
Total equity and liabilities		2,759,063	2,678,800

The above balance sheet should be read in conjunction with the accompanying notes.

The financial statements on pages 87 to 176 were approved by the Board of Directors on 8 March 2023 and were signed on its behalf

Lin Feng **Zhang Jianguo**

30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (continued)

(a) Reserve movement of the Company

	Retained earnings RMB'000
At 1 January 2022	126,168
Profit for the year	209,308
Dividend paid	(132,766)
At 31 December 2022	202,710
At 1 January 2021	(5,661)
Profit for the year	131,829
At 31 December 2021	126,168

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DIRECTORS' BENEFITS AND INTERESTS

(a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2022 as follows:

Name	Fees RMB'000	Salaries and wages RMB'000	Discretionary bonuses RMB'000	Employer's contribution to retirement benefit scheme RMB'000	Housing fund, other allowance and benefits in kind RMB'000	Remuneration paid or receivable in respect of accepting office as director RMB'000	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	Total RMB'000
Executive Directors								
Mr. Zhang Jianguo (appointed on 23 February 2022) (Note (i), (iii))	–	–	–	–	–	–	–	–
Mr. Wu Wei (resigned on 23 February 2022) (Note (i))	–	–	–	–	–	–	–	–
Mr. Mao Liangmin	–	600	1,918	–	127	–	–	2,645
Mr. Zhang Jin	–	579	509	50	125	–	–	1,263
Non-executive Directors								
Mr. Lin Feng (Note (i))	–	–	–	–	–	–	–	–
Mr. Yao Xiaosheng (Note (i))	–	–	–	–	–	–	–	–
Mr. Yang Zhaoxuan (Note (i)	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
Ms. Hui Lai Kwan	216	–	–	–	–	–	–	216
Mr. Hung Shing Ming	216	–	–	–	–	–	–	216
Mr. Chan Yuen Hang Kenneth	216	–	–	–	–	–	–	216
	648	1,179	2,427	50	252	–	–	4,556

31 DIRECTORS' BENEFITS AND INTERESTS (continued)

(a) Directors' emoluments (continued)

The directors received emoluments from the Group for the year ended 31 December 2021 as follows:

Name	Fees	Salaries and wages	Discretionary bonuses	Employer's contribution to retirement benefit scheme	Housing fund, other allowance and benefits in kind	Remuneration paid or receivable in respect of accepting office as director	Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Executive Directors								
Mr. Wu Wei (Note (ii))	–	–	–	–	–	–	–	–
Mr. Mao Liangmin	–	600	1,700	–	114	–	–	2,414
Mr. Zhang Jin	–	570	721	50	114	–	–	1,455
Non-executive Directors								
Mr. Lin Feng (Note (ii))	–	–	–	–	–	–	–	–
Mr. Yao Xiaosheng (Note (ii))	–	–	–	–	–	–	–	–
Mr. Yang Zhaoxuan (Note (ii)	–	–	–	–	–	–	–	–
Independent Non-executive Directors								
Ms. Hui Lai Kwan	198	–	–	–	–	–	–	198
Mr. Hung Shing Ming	198	–	–	–	–	–	–	198
Mr. Chan Yuen Hang Kenneth	198	–	–	–	–	–	–	198
	594	1,170	2,421	50	228	–	–	4,463

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 DIRECTORS' BENEFITS AND INTERESTS (continued)

(a) Directors' emoluments (continued)

(i) The emoluments of the Mr. Zhang Jianguo, Mr. Wuwei, Mr. Lin Feng, Mr. Yao Xiaosheng and Mr Yang Zhaoxuan, in relation to their services rendered for the Group for the year ended 31 December 2022 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) The emoluments of the Mr. Wu Wei, Mr. Lin Feng, Mr. Yao Xiaosheng and Mr Yang Zhaoxuan, in relation to their services rendered for the Group for the year ended 31 December 2021 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(iii) Mr. Zhang Jianguo was appointed as the executive director of the Company on 23 February 2022.

32 EVENT AFTER THE BALANCE DATE

On 15 February 2023, the general meeting of the Company approved the share option scheme of the Company. Under the share option scheme, up to a total of 15,220,300 share options will be granted to two executive directors and 37 members of senior management and core employees of the Group in respect of their services to the Group in the forthcoming year.

越秀服務集團有限公司
YUEXIU SERVICES GROUP LIMITED