

建發物業管理集團有限公司

C&D Property Management Group Co., Ltd

(Incorporated in the British Virgin Islands with limited liability)

Stock Code: 2156

# 2022

## ANNUAL REPORT



國內一流的城市空間運營服務商  
a first class urban service operator in the PRC

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This annual report is made in English and Chinese. In the case of any inconsistency, the English version shall prevail.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive Directors

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

### Non-executive Directors

Mr. Lin Weiguo (*Chairman*) (*Note 1*)

Mr. Xu Yixuan (*Note 1*)

Mr. Zhuang Yuekai (*Note 1*)

### Independent Non-executive Directors

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

Mr. Cheung Kwok Kwan, J.P. (*Note 2*)

## AUDIT COMMITTEE

Mr. Lee Cheuk Yin Dannis (*Committee Chairman*)

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

Mr. Cheung Kwok Kwan, J.P. (*Note 2*)

## REMUNERATION COMMITTEE

Mr. Wu Yat Wai (*Committee Chairman*)

Mr. Lin Weiguo (*Note 1*)

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Zhuang Yuekai (*Note 1*)

Mr. Cheung Kwok Kwan, J.P. (*Note 2*)

## NOMINATION COMMITTEE

Mr. Lin Weiguo (*Committee Chairman*) (*Note 1*)

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

Mr. Zhuang Yuekai (*Note 1*)

Mr. Cheung Kwok Kwan, J.P. (*Note 2*)

### Notes:

1. On 25 August 2022, (i) Mr. Zhuang Yuekai resigned as a non-executive director of the Company (the "Non-executive Director"), the chairman (the "Chairman") of the board of the Company (the "Board"), chairman of the nomination committee and member of the remuneration committee of the Board; (ii) Mr. Lin Weiguo was appointed as the Chairman, chairman of the nomination committee and member of the remuneration committee of the Board; and (iii) Mr. Xu Yixuan was appointed as a Non-executive Director.
2. Mr. Cheung Kwok Kwan, J.P. resigned as an independent non-executive director of the Company (the "INED"), and ceased to be a member of each of the audit committee, the remuneration committee and the nomination committee of the Board on 24 June 2022.
3. Ms. Leung Ching Ching resigned as the company secretary and ceased to be an authorised representative of the Company and Ms. Kam Mei Ha Wendy was appointed as the company secretary and the authorised representative of the Company on 9 September 2022.

## COMPANY SECRETARY

Ms. Kam Mei Ha Wendy (*FCG, HKFCG*) (*Note 3*)

Ms. Leung Ching Ching (*FCG, HKFCG*) (*Note 3*)

## AUTHORISED REPRESENTATIVES

Ms. Qiao Haixia

Ms. Kam Mei Ha Wendy (*FCG, HKFCG*) (*Note 3*)

Ms. Leung Ching Ching (*FCG, HKFCG*) (*Note 3*)

## REGISTERED OFFICE

2/F, Palm Grove House

P.O. Box 3340

Road Town, Tortola

British Virgin Islands ("BVI")

## PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3517, 35/F

Wu Chung House

213 Queen's Road East

Wan Chai

Hong Kong

## HEADQUARTERS AND REGISTERED OFFICE IN THE PEOPLE'S REPUBLIC OF CHINA ("PRC")

Unit 703, 7th Floor

C&D International Building

No.1699 Huandao East Road

Xiamen, PRC

## PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE IN THE BVI

Tricor Services (BVI) Limited

2/F, Palm Grove House

P.O. Box 3340

Road Town, Tortola

BVI

# CORPORATE INFORMATION

## **HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE**

Tricor Investor Services Limited  
17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
(change of address on 15 August 2022)

## **AUDITOR**

Grant Thornton Hong Kong Limited

## **LEGAL ADVISER AS TO HONG KONG LAWS**

King & Wood Mallesons

## **PRINCIPAL BANKER**

Bank of China

## **COMPANY'S WEBSITE**

[www.cndservice.com](http://www.cndservice.com)  
(the contents of which do not form part of this annual report)

## **STOCK CODE**

2156

\* The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.

# CHAIRMAN'S STATEMENT

Dear Shareholders,

I am pleased to present the annual report of C&D Property Management Group Co., Ltd ("C&D Property" or the "Company", and together with its subsidiaries, the "Group") for the year ended 31 December 2022 (the "Year"):

## I. ANALYSIS ON ECONOMIC LANDSCAPE

2022 was a year full of ups and downs, as well as challenges for the property management industry. On the one hand, the promulgation of policy continued to promote the integration of property management enterprises into the governance of grassroots service, encouraging the diversity of development, and promoted the expansion of the service scope. On the other hand, the sales of real estate have declined, and real estate companies continued to exit the market, which limited the development of property management enterprises. At the same time, the property management industry itself is also facing common difficulties such as problems in service innovation, rising labor costs, slow profit growth, and difficulties in expansion. Meanwhile, the operation logic of the industry is undergoing profound changes, including from the pursuit of scale to the pursuit of quality, from traditional property management services to diversified and refined operations, from one-way service provision to two-way co-construction and sharing with property owners. How to adhere to the long-term principle and firmly adhere to the "customer-centric" development strategy will become the key factor for the stable and long-term development of the Group in the future.

## II. RESULTS AND DIVIDEND

During the Year, the Group achieved operating revenue of approximately RMB2,290.5 million, representing a year-on-year increase of approximately 47.1%, among which, revenue from basic property management services was approximately RMB1,036.2 million, representing a year-on-year increase of approximately 36.6%; revenue from community value-added and synergy services was approximately RMB475.8 million, representing a year-on-year increase of approximately 87.3%; revenue from value-added services to non-property owners was approximately RMB754.5 million, representing a year-on-year increase of approximately 38.7%. In addition, the Group successfully introduced commercial property operation management services during the Year, forming a new development of dual-driven model wheels of "residential + commercial management". During the Year, the Group achieved revenue from commercial property operation management services of approximately RMB24.0 million. The Group recorded a significant growth in revenue, which was mainly due to the facts that (1) the growth of revenue from basic property management service was driven by the increase in the delivery scale of property management service projects by real estate companies due to the abundance of the reserve GFA continuously; and (2) the diversification strategy has begun to bear fruit, and the revenue from value-added service has achieved significant growth during the Year.

The Group adhered to the core of customer-centric and high-quality development, optimized the management structure, strengthened the establishment of a standardized system, built smart property system to reduce costs and increase efficiency, all of which lead to the achievement of a healthy trend of growth in both revenue and profit, as well as the profit attributable to owners of the Company for the Year of approximately RMB247.2 million, representing a year-on-year increase of approximately 55.1%.

The Board recommended to declare a final dividend of HK\$0.1 per Share in respect of the Year, with a scrip dividend option, subject to the approval of the forthcoming annual general meeting of the Company (the "AGM").

# CHAIRMAN'S STATEMENT

## III. BUSINESS REVIEW

During the Year, under the leadership by the Board, the Group carried out operations around “strengthening foundation, improving quality, improving efficiency and promoting growth (夯基礎、提品質、提效益、促增長)” to maintain a healthy growth in management scale, revenue and profit.

### (1) Leading by quality to maintain benchmark service quality

The Group focused on providing customers with high-quality services. During the Year, the Group continued to pilot and promote a tiered service system, opening up channels for customers to express their needs, so as to make every property owner to feel the “warm C&D services (有溫度的建發服務)”. During the Year, the satisfaction rating score of the Group’s property management service was 93 (out of 100), which maintained the industry benchmark level. During the Year, the Group ranked the 30th in the “2022 Top 100 Property Management Companies in the PRC (2022中國物業服務百強企業)”, the 29th in the “2022 Top 100 Property Management Companies in terms of Service Capabilities (2022物業服務力百強企業)”, the 11th in the “2022 Top 50 Integrated Strength Property Management State-owned Companies in the PRC (2022中國國有物業服務企業綜合實力50強)”, “2022 Leading Residential Property Management Service Companies in the PRC (2022中國住宅物業服務領先企業)”, the 34th in the “2022 Top 100 Brand Value Property Management Companies in China (2022中國物業服務企業品牌價值100強)”, which further enhanced its brand awareness.

### (2) Deepening expansion and continued to increase the management scale

As at 31 December 2022, the Group’s contracted GFA of property management service was approximately 90.6 million sq.m., representing a year-on-year increase of approximately 22.6%; the GFA under management of property management service was approximately 46.2 million sq.m., representing a year-on-year increase of approximately 39.8%. With the successive delivery of projects with high quality and high property management fee, the average property management fee was further improved, which secured the growth of the revenue from basic property management service.

The Group continued to deepen its expansion strategy, refined and expand its internal strength, focused on the improvement in the concentration of key cities, and adhered to the principle of quality expansion. During the Year, the newly added contracted GFA from independent third parties was approximately 8.4 million sq.m., covering various types of properties such as residential properties, office buildings, and industrial parks. In respect of merger and acquisition opportunities, the Group, with a prudent and responsible attitude, sought targets that could enhance the concentration and layout of key cities and were in line with its own culture.

# CHAIRMAN'S STATEMENT

## **(3) Diversifying deep cultivation for strong growth in value-added services**

As at 31 December 2022, the number of household served by the Group exceeded 280,000, mainly consisted of middle and high-end customers, laying a solid foundation for the development of community value-added and synergy services. The Group adhered to customer demand-oriented, diversified and intensive cultivation, and focused on building community value-added and synergy services to meet the needs of owners for a better living.

During the Year, the Group carried out a self-operated model trial of home beauty services and housekeeping services, strengthened the establishment of a standardized system, and continuously improved the service experience. The Group also enriched the retail product offering under home living services. For elderly-care health & value-added services, we obtained the operation right for an elderly-care service institution in Haicang, Xiamen in the Year, which is expected to open and begin operation in 2023. In 2022, the Group also obtained the operation rights for Haotou Community Day Care Center of Huli Street\* (湖里街道濠頭社區日間照料中心), which provides day care services such as meals, entertainment and rehabilitation for the elderly. During the Year, Hongai Yibai Rehabilitation Centre\* (弘愛溢佰康復中心) was successfully opened, and the occupancy rate of C&D Yibai Elderly Care Centre\* (建發溢佰養老中心) further increased from approximately 51.3% as of the end of 2021 to approximately 77.7% as of the end of 2022. The technical strength of Xiamen Zhaohui Internet Technology Company Limited\* (廈門兆慧網絡科技有限公司) continued to improve, and it was selected as a "Little Giant of Science and Technology in Fujian Province\* (福建省科技小巨人)" and received the award of the Transformation of Scientific and Technological Achievements of Xiamen City (廈門市科技成果轉化獎勵). For the real estate brokerage and asset management business, the Group continued to refine and improve its professional capabilities, as well as deepen its business.

## **(4) Integrating resources and driven by the dual-driven model of "residential + commercial management"**

Through resource integration, commercial property operation management services were successfully introduced this Year, forming a new development of dual-driven model of "residential + commercial management". As at 31 December 2022, we provided our services to 20 commercial projects with an area of approximately 0.93 million sq.m.. By cultivating the key capabilities of asset-light output and making good use of its state-owned background and experience, within the Year, the Group obtained three asset-light commercial property operation management projects, including Workers' Cultural Palace of Longyan\* (龍岩工人文化宮), Longyan Jinghua Shopping Center\* (龍岩京華購物中心) and Shunchang Zhongshan City Plaza\* (順昌中山城市廣場), to further enrich the layout of commercial property operation management service business.

## **(5) Paying close attention to payment and collection to achieve profits "in cash"**

In respect of collection and payment, the Group anchored the target, arranged in advance, and strengthened its execution. By optimizing the performance appraisal method and the special reward mechanism, the Group linked performance and payment collection to stimulate the subjective initiative of employees. The collection and payment was improved, with our collection rate being approximately 94% as of 31 December 2022. During the Year, the Group achieved operating net cash inflow of approximately RMB495.7 million, covering 2.01 times of the profit attributable to owners of the Company for the Year, making the operation more stable and healthier.

# CHAIRMAN'S STATEMENT

## **(6) Empowering intelligence, driving cost reduction and the increase of efficiency by digital intelligence**

The Group has laid a solid foundation for reducing costs and the increase of efficiency by continuously improving its data development capabilities, strengthening its data governance capabilities, and empowering operations and management with smart technology. During the Year, the Group built the core cockpit of the “community brain”, which is essentially a smart property system, in Xiamen Xiyue\* (廈門璽樾), one of the residential properties managed by the Group, through process reconstruction, platform integration, data analysis and intelligent transformation etc. The charging system, financial system, and human resources system which aimed to achieve “integration of business and finance” was initially launched. The master data system was also launched to ensure that the basic data of the projects is accurate for achieving “data-based decision-making in a timely manner”, so as to achieve the “service intelligence” of community management by keeping the intelligent tools, cloud video, intelligent access control and other equipment clean.

## **IV. STRATEGY AND PROSPECT**

In 2023, the Group will take a more strategic attitude actively, taking “high-quality service” as its mission, adhering to the operation direction of “strengthening the foundation, improving quality, improving efficiency, and promoting growth (夯基礎、提品質、提效益、促增長)” to create more value for property owners, shareholders and the society by providing life-long protection and living up to their trust.

### **(1) Paying close attention to service quality and deepen the implementation of service classification system**

The Group will pay close attention to service quality, continue to optimize its core responsibilities, task lists, and action standards of cleaning, greening, customer service, security, and engineering positions, and digitalize the relevant processes and assessment systems; strengthen its brand image output, and deepen the implementation of its service classification system for providing high-quality services to property owners.

### **(2) Deepening the cultivation of key cities and improve the quality of expansion continuously**

The Group will focus on core key cities, and actively carry out tripartite expansion work under the premise of adhering to the “profit and safety bottom line requirements”, so as to achieve the following:

1. adjusting structure on the premise of deepening the cultivation of property management for the first-hand residential properties advantage, and increase the expansion of property management for existing residential properties and non-residential properties field;
2. adhering to the principle of “good price and quantity” for expansion to ensure the unit price and profit margin level of new property management projects from independent third parties;
3. facing the competition directly, strengthening the construction of marketing teams, and building a team that can fight hard for project expansion with independent third parties;
4. be prudent and participate in the merger and acquisition opportunities selectively, focusing on companies that are consistent with the Group’s brand image and market positioning, together with good quality, appropriate scale, and reasonable valuation.



# CHAIRMAN'S STATEMENT

## **(3) Gaining insight of customer needs and grasp diversified development opportunities**

For community value-added and synergy services, the Group will continue to gain insight of customer needs, optimize and enhance the depth of its business to seize diversified development opportunities. For real estate brokerage and asset management business, the Group will increase efforts in promotion for increasing the penetration rate and conversion rate, so as to enhance the synergy and integration of internal and external resources. For other services, the Group will create more self-owned brands to enrich the product line of retail business, explore and innovate business models to promote the self-operated home beauty services and housekeeping services under home living services. For smart community services, the Group will increase the breadth and depth of talents in the research and development team, focusing on the improvement of research and development and its commercialization capabilities. For the elderly-care health & value-added services, the Group will build a better service system and actively promote the opening of elderly-care service institution in Haicang, Xiamen.

## **(4) Empowering technology firmly and increase the investment in technology**

The Group will strengthen the construction of internal intelligent operation platform to connect and integrate relevant core systems such as master data, revenue and expenditure systems, budget systems, and financial systems, and conduct data mining and unified analysis to achieve "online, digital, and process-oriented" operating results. The Group will utilize its successful experience in the adoption of "community brain" in Xiamen Xiyue\* (廈門璽樾) and upgrade and improve the integration of relevant core system data continuously, promote the implementation of community brains to empower communities with intelligence, cost reduction and increase efficiency.

## **(5) Creating a capital market label and establish efficient communication channels**

The Group will actively establish communication mechanisms with domestic and overseas investors, create the unique capital market label of C&D Property, stabilize and expand its investor base, strengthen the communication with securities companies and maintain a high level of transparency in corporate governance.

## APPRECIATION

The continuous development of the Company's business in future will depend on the trust and support from all our customers, shareholders, business partners, as well as the dedication and diligence of our entire staff. I would like to express my gratitude on behalf of the Board.

**C&D Property Management Group Co., Ltd**  
**Lin Weiguo**

*Chairman and Non-executive Director*

Hong Kong, 30 March 2023

# MANAGEMENT DISCUSSION AND ANALYSIS

## 1. MARKET REVIEW

As an industry with the closest relationship with people's lives as well as the government's "community governance grassroots", property management has continued to receive policy care and support in recent years. In 2022, governments at all levels, ranging from the central government to local governments have successively introduced many policies to secure the healthy and orderly development of the industry: in January, the General Office of the State Council issued the "14th Five-Year Urban and Rural Community Service System Construction Plan" (《“十四五”城鄉社區服務體系建設規劃》), which mentioned that places where conditions permit are encouraged to introduce professional property management services, and a two-way selection mechanism for property owners and property management service companies will be established. In July, the National Development and Reform Commission issued the "14th Five-Year New Urbanization Implementation Plan" (《“十四五”新型城鎮化實施方案》), which proposed to increase the coverage of property management services and carry out pilot projects of standardization of property management services to open up space for the standardized development of the industry. On the one hand, the heat wave of the policies continues. However, on the other hand, the operation logic of the industry is also changing. Due to the turmoil in the real estate industry, the development of property management companies is limited. At the same time, the industry is also facing rising labor costs, slow profit growth, difficulties in expansion and other common difficulties. Pursuing scale expansion while maintaining quality development has become the primary challenge that property management companies need to balance.

In the face of opportunities and challenges, in 2022, the Group carried out operations and management around "strengthening foundation, improving quality, improving efficiency, and promoting growth" in order to achieve "quality" growth. By continuously strengthening and improving the basic service quality, the Group deepened the service classification and provided warm and high-quality services for property owners; carried out multi-mode market expansion, and actively explored merger and acquisition opportunities to promote further growth in management scale; as well as continued to optimize and innovate the development model of community value-added and synergy services for meeting the property owner's needs for a better life, and commenced the commercial property operation management services in September 2022, forming a new development of dual-driven model of "residential + commercial management".

## 2. BUSINESS REVIEW

### (1) Overview

In April 2022, we were honoured as one of the "Top 100 Property Management Companies in the PRC" by China Index Academy and ranked 30th, with two places improved as compared with 2021. In July 2022, we were also awarded honourable title as "2022 Top 100 Property Management Service Enterprises (2022物業服務力百強企業)" by Shanghai Yiju Real Estate Research Institute\* (上海易居房地產研究院) and CRIC Property Management\* (克而瑞物管). Through upholding our service philosophy of "exploring new service values to make a better living experience\* (開拓服務新價值·讓生活更美好)", we envisage to become an outstanding property management services provider in the PRC and are committed to becoming "a first class urban service operator in the PRC\* (國內一流的城市空間運營服務商)".

# MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2022, our property management portfolio covered 60 cities across 16 provinces, municipalities and autonomous regions in the PRC, including tier-one cities, such as Beijing, Shanghai, Guangzhou and Shenzhen. Our contracted GFA was approximately 90.6 million sq.m., among which, the GFA under management reached approximately 46.2 million sq.m.. As at 31 December 2022, we provided services to over 280,000 households.

Our four main business lines, namely, (i) property management services; (ii) community value-added and synergy services; (iii) value-added services to non-property owners and (iv) commercial property operation management services, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

## **(2) Property Management Services**

We provided a range of property management services to property owners and residents of our managed properties as well as property developers, including greening, gardening and order maintenance for public areas, cleaning, parking management, repair and maintenance services for public facilities, etc.. Our property management portfolio covered residential properties and non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools, etc.. We charged property management fees primarily on a lump-sum basis, with a comparatively fewer amount of total revenue charged on a commission basis.

For the Year, our Group's revenue from property management services was approximately RMB1,036.2 million, representing an increase of approximately 36.6% from approximately RMB758.6 million for the year ended 31 December 2021. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management.

### *GFA and the number of projects*

As at 31 December 2022, we had contracted GFA of approximately 90.6 million sq.m., and our number of contracted projects was 584, representing an increase of approximately 22.6% and 19.4% respectively as compared with those as at 31 December 2021 (as at 31 December 2021: approximately 73.9 million sq.m., and the number of projects of 489). As at 31 December 2022, the GFA under management reached approximately 46.2 million sq.m., and number of projects under management was 353, representing an increase of approximately 39.8% and 26.1% respectively as compared with those as at 31 December 2021 (as at 31 December 2021: approximately 33.0 million sq.m., and the number of projects of 280).

### *Geographic Coverage*

As at 31 December 2022, we had 584 contracted projects covering 60 cities across 16 provinces, municipalities and autonomous regions in the PRC, with 353 projects under management, covering 28 cities, serving over 280,000 households.



# MANAGEMENT DISCUSSION AND ANALYSIS

## Notes:

- As at 31 December 2022, cities in the Haixi Cluster included Longyan, Putian, Quanzhou, Xiamen, Zhangzhou, Foshan, Guangzhou, Jiangmen, Shenzhen, Zhuhai, Liuzhou, Nanning, Guiyang, Changde, Hengyang, Loudi, Yiyang, Changsha, Zhuzhou, Jiujiang, Nanchang, Shangrao, Chengdu, Deyang, Ya'an and Chongqing. As at 31 December 2021, cities in the Haixi Cluster included Longyan, Putian, Quanzhou, Xiamen, Zhangzhou, Foshan, Guangzhou, Shenzhen, Zhuhai, Liuzhou, Nanning, Guiyang, Changde, Hengyang, Yiyang, Changsha, Zhuzhou, Jiujiang, Nanchang, Shangrao, Chengdu, Deyang and Chongqing.
- As at 31 December 2022, cities in the Eastern China Cluster included Bengbu, Hefei, Huainan, Liu'an, Suzhou (宿州), Beijing, Luoyang, Pingdingshan, Shangqiu, Xinxiang, Zhengzhou, Huangshi, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Xuzhou, Yancheng, Jinan and Shanghai. As at 31 December 2021, cities in the Eastern China Cluster included Bengbu, Hefei, Liu'an, Suzhou (宿州), Beijing, Luoyang, Zhengzhou, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Jinan and Shanghai.
- As at 31 December 2022, cities in the Southeast China Cluster included Fuzhou, Ningde, Nanping, Sanming, Hangzhou, Huzhou, Jinhua, Ningbo, Shaoxing, Taizhou and Wenzhou. As at 31 December 2021, cities in the Southeast China Cluster included Fuzhou, Ningde, Nanping, Sanming, Hangzhou, Huzhou, Jinhua, Ningbo, Shaoxing and Wenzhou.

## Source of Projects

As at 31 December 2022, the contracted GFA for property management services with the Company's controlling shareholder, Xiamen C&D and its subsidiaries, associates and joint ventures (excluding the Group) ("Xiamen C&D Group"), was approximately 54.8 million sq.m., representing an increase of approximately 24.4% from approximately 44.0 million sq.m. as at 31 December 2021.

While maintaining close business relationship with Xiamen C&D Group, we also took initiatives to further expand the scale of our property management service business and increase our market share in the industry through multiple channels. As at 31 December 2022, our contracted GFA for property management services with independent third parties was approximately 35.8 million sq.m., representing an increase of approximately 19.9% from approximately 29.9 million sq.m. as at 31 December 2021.

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services derived from property projects by property developers for each of the years ended 31 December 2022 and 2021:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA under management	Revenue	% of	GFA under management	Revenue	% of
	'000 sq.m.	RMB'000	revenue	'000 sq.m.	RMB'000	revenue
Xiamen C&D Group	27,937	587,667	56.7	18,986	443,494	58.5
Independent third parties	18,267	448,508	43.3	14,053	315,124	41.5
<b>Total</b>	<b>46,204</b>	<b>1,036,175</b>	<b>100.0</b>	<b>33,039</b>	<b>758,618</b>	<b>100.0</b>

# MANAGEMENT DISCUSSION AND ANALYSIS

## *Types of Managed Properties*

We historically focused on providing property management services to residential communities in the PRC, while we also endeavoured to diversify our property management portfolio by extending our services to an increasing variety of non-residential properties (including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools). As at 31 December 2022, our contracted GFA for non-residential properties was approximately 5.5 million sq.m., representing an increase of approximately 15.5% from approximately 4.8 million sq.m. as at 31 December 2021.

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services by type of property for each of the years ended 31 December 2022 and 2021:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue
Residential	41,952	788,948	76.1	29,813	586,752	77.3
Non-residential	4,252	247,227	23.9	3,226	171,866	22.7
Total	46,204	1,036,175	100.0	33,039	758,618	100.0

## *Revenue Model*

We generally determined the revenue model of property management services based on the following factors, including but not limited to: (i) the type(s), scale(s) and location(s) of managed properties; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; and (iv) arm's length negotiation with our customers. During the Year, we mainly charged property management fees on a lump-sum basis, while a few property management service projects were charged on commission basis.

# MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services by revenue model for each of the years ended 31 December 2022 and 2021:

	As at 31 December or for the year ended 31 December					
	2022			2021		
	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue	GFA under management '000 sq.m.	Revenue RMB'000	% of revenue
Lump-sum basis	45,572	1,012,208	97.7	32,407	734,612	96.8
Commission basis	632	23,967	2.3	632	24,006	3.2
Total	46,204	1,036,175	100.0	33,039	758,618	100.0

### (3) Community Value-added and Synergy Services

We provided a variety of community value-added and synergy services mainly by ourselves or third-party sub-contractors or service companies. The services mainly included: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services\* (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation and home furniture services, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces and at-the-close order\* (尾盤) sales services for unsold property units of the property developers; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of C&D Yibai Elderly Care Centre\* (建發溢佰養老中心), an elderly care centre operated by the Group; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application "Huishenghuo\* (慧生活)".

The Group's revenue from community value-added and synergy services for the Year was approximately RMB475.8 million, representing an increase of approximately 87.3% from approximately RMB254.0 million for the year ended 31 December 2021. The increase was mainly due to the expansion of our customer base as a result of the increase in the area under management, as well as the continuous enrichment of our service offerings under the community value-added and synergy services. For instance, in respect of home living services, we have consolidated our resources and enriched our online shopping platform "C&D Property Zhenxuan\* (建發物業臻選)" to provide customers with higher quality products in the food, wine and daily necessity segments. The Group also operated its home living services on its own to improve its service offerings and enhance customer satisfaction. For the smart community services, the expansion of service applications has significantly broadened the number of orders and sources of revenue. At the same time, with the strengthened promotion and the increase of new delivery of property management projects, the income of home beauty services has increased rapidly.

# MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for each of the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Revenue RMB'000	%	Revenue RMB'000	%
Smart community services	118,622	24.9	53,990	21.3
Home living services	144,337	30.4	72,023	28.4
Home beauty services	69,089	14.5	18,113	7.1
Real estate brokerage and asset management services	49,505	10.4	48,302	19.0
Value-added services for public areas	57,000	12.0	39,225	15.4
Elderly-care & health value-added services	37,231	7.8	22,327	8.8
Total	475,784	100.0	253,980	100.0

#### (4) Value-added Services to Non-property Owners

We mainly provided (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

Our revenue from value-added services to non-property owners for the Year was approximately RMB754.5 million, representing an increase of approximately 38.7% from approximately RMB544.0 million for the year ended 31 December 2021. The increase was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increase in demand for reception, order maintenance and cleaning services.



## MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets out the breakdown of our revenue from our value-added services to non-property owners for each of the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	Revenue RMB'000	%	Revenue RMB'000	%
Consultancy services	6,811	0.9	7,358	1.4
Reception, order maintenance and cleaning services	747,660	99.1	536,689	98.6
Total	754,471	100.0	544,047	100.0

### (5) Commercial Property Operation Management Services

Since September 2022, we commenced the commercial property operation management services to promote complementary advantages, making the Group an asset-light service provider of “property management + commercial operation”, as well as broaden and enrich our business foundation. We provided commercial property operation management services to owners of various types of commercial properties such as office buildings and shopping malls. We provided commercial property operation management services to: (i) commercial properties during pre-opening stage, such as positioning, planning and design consultancy services, etc.; and (ii) established commercial properties, such as provision of tenant and lease management, operation management and planning and marketing services.

During the Year, our revenue from commercial property operation management services was approximately RMB24.0 million. As at 31 December 2022, we provided our services to 20 business projects and the GFA of the commercial properties under management of the Group was 0.93 million sq.m..

# MANAGEMENT DISCUSSION AND ANALYSIS

## 3. FINANCIAL REVIEW

### Revenue

Due to our continuous business development, the Group's revenue for the Year was approximately RMB2,290.5 million, representing an increase of approximately 47.1% from approximately RMB1,556.6 million for the year ended 31 December 2021.

The table below sets out the revenue of the Group by business line for each of the years ended 31 December 2022 and 2021:

	For the year ended 31 December			
	2022		2021	
	RMB'000	%	RMB'000	%
Property management services	1,036,175	45.3	758,618	48.7
Community value-added and synergy services	475,784	20.8	253,980	16.3
Value-added services to non-property owners	754,471	32.9	544,047	35.0
Commercial property operation management services	24,043	1.0	–	–
Total	2,290,473	100.0	1,556,645	100.0

Property management services were the Group's largest source of revenue. During the Year, the revenue from property management services was approximately RMB1,036.2 million, accounting for approximately 45.3% of total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During the Year, our total GFA under management increased from approximately 33.0 million sq.m. as at 31 December 2021 to approximately 46.2 million sq.m. as at 31 December 2022, which was resulted from both our steady cooperation with cooperative property developers and our efforts to expand the third-party customer base.

# MANAGEMENT DISCUSSION AND ANALYSIS

The revenue from community value-added and synergy services increased by approximately 87.3% from approximately RMB254.0 million for the year ended 31 December 2021 to approximately RMB475.8 million for the Year, which was mainly due to the Group's further optimisation of the business structure.

The revenue from value-added services to non-property owners increased by approximately 38.7% from approximately RMB544.0 million for the year ended 31 December 2021 to approximately RMB754.5 million for the Year, which was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increase in demand for reception, order maintenance and cleaning service.

Since September 2022, we commenced the commercial property operation management services to broaden and enrich our business foundation. During the Year, the revenue from the commercial property operation management services was approximately RMB24.0 million (for the year ended 31 December 2021: RMB Nil).

## **Cost of sales**

Cost of sales increased by approximately 50.2% from approximately RMB1,167.3 million for the year ended 31 December 2021 to approximately RMB1,753.5 million for the Year, primarily due to the scale-up of our business.

## **Gross profit**

As a result of the above principal factors, the Group's gross profit increased by approximately 37.9% from approximately RMB389.4 million for the year ended 31 December 2021 to approximately RMB537.0 million for the Year, with gross profit margin of approximately 25.0% and 23.4% respectively. The decrease in gross profit margin was mainly due to the increase in the cost of labour.

## **Other income**

Other income increased from approximately RMB10.9 million for the year ended 31 December 2021 to approximately RMB16.5 million for the Year, mainly due to an increase in government subsidies received.

## **Selling and marketing expenses**

The Group's selling and marketing expenses increased from approximately RMB3.8 million for the year ended 31 December 2021 to approximately RMB7.6 million for the Year, mainly due to an increase of the advertising expenses.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Administrative and other operating expenses**

The Group's administrative and other operating expenses mainly included staff cost (including the cost of the restricted share incentive scheme of the Company adopted in 2021 (the "Incentive Scheme")), travelling and entertainment expenses, consultancy fee, telecommunication and utilities, depreciation, office expenses and other expenses (mainly including bank handling fees, gains and losses on disposal of assets, recruitment cost and insurance fees).

During the Year, the Group's total administrative and other operating expenses amounted to approximately RMB287.2 million, representing an increase of approximately 34.9% from approximately RMB212.9 million for the year ended 31 December 2021, which was mainly due to the growth of our business volume, increase in headcount and average wages of administration staff as well as increase in office expenses, consultancy fee and travelling and entertainment expenses due to expansion of our business scale.

## **Net provision for ECL allowance on trade and other receivables**

The Group's net provision for ECL allowance on trade and other receivables increased from approximately RMB0.5 million for the year ended 31 December 2021 to approximately RMB4.6 million for the Year, mainly due to an increase in the trade receivables.

## **Net finance income**

The Group's net finance income mainly included interest income on bank deposit, interest income on amounts due from related parties and lease liability interest relating to lease liabilities arising from leased properties used for the Group's office. During the Year, the Group's net finance income was approximately RMB71.1 million, representing an increase of approximately 230.4% as compared with approximately RMB21.5 million for the year ended 31 December 2021, which was mainly due to the capital cost received in relation to the determined price pre-paid by the Company under the inventory property underwriting agreement entered into between the Company and C&D International Investment Group Limited ("CDI") dated 4 October 2021.

## **Profit before income tax**

Due to the combined effect of the abovementioned factors, the profit before income tax of the Group for the Year was approximately RMB324.7 million, representing an increase of approximately 58.4% as compared with approximately RMB205.1 million for the year ended 31 December 2021.

## **Income tax expense**

Income tax expense increased from approximately RMB44.2 million for the year ended 31 December 2021 to approximately RMB73.4 million for the Year, representing an increase of approximately 66.2%. The increase was mainly attributable to an increase in the Group's profit before tax due to growth of business.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Profit for the year attributable to equity holders of the Company**

The profit for the year attributable to equity holders of the Company for the Year was approximately RMB247.2 million, representing an increase of approximately 55.1% as compared with approximately RMB159.4 million for the year ended 31 December 2021.

## **Property, plant and equipment**

Property, plant and equipment of the Group mainly consisted of leasehold improvement, electronic equipment and other fixed assets. As at 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB35.6 million, representing an increase of approximately 16.0% from approximately RMB30.7 million as at 31 December 2021, which was mainly due to the increase of the demand for electronic equipment as a result of the scale-up of our business.

## **Trade and other receivables**

The Group's trade and other receivables were mainly from property management services income from properties managed on a lump-sum basis and trade receivables of value-added services as well as other receivables from payments on behalf of property owners in respect of utilities and maintenance costs. As at 31 December 2022, the Group's trade and other receivables were approximately RMB358.1 million, representing an increase of approximately 77.7% as compared with approximately RMB201.5 million as at 31 December 2021, which was mainly due to the expansion of our business scale.

## **Cash and cash equivalents**

As at 31 December 2022, the Group's cash and cash equivalents were approximately RMB2,703.1 million, representing an increase of approximately 19.5% as compared with approximately RMB2,261.4 million as at 31 December 2021. The increase was mainly due to the expansion of our business scale and an increase in contract liabilities for the Year.

## **Trade and other payables**

The Group's trade and other payables mainly included trade payables, amounts collected on behalf of property owners, received deposits (保證金) and accrued staff costs and welfares. As at 31 December 2022, our trade and other payables were approximately RMB941.2 million, representing an increase of approximately 28.4% from approximately RMB732.8 million as at 31 December 2021, which was mainly due to the increase of our property management scale and employees headcounts.

## **Contract liabilities**

Contract liabilities of the Group were service prepayment paid by customers for the services which had not been provided and not been recognised as revenue. As at 31 December 2022, our contract liabilities amounted to approximately RMB990.1 million, representing an increase of approximately RMB202.8 million from approximately RMB787.3 million as at 31 December 2021, primarily due to the increase in projects under management and payments received in advance for home furniture services under home beauty services during the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Liquidity and financial resources**

The Group continued to satisfy its requirement for working capital, capital expenditure and other capital requirement through cash generated from its operation. During the Year, the Group's net cash from operating activities was approximately RMB495.7 million, representing a decrease of approximately 44.1% as compared with approximately RMB886.5 million for the year ended 31 December 2021, mainly due to the decrease in payments received in advance for home furniture services under home beauty services for the Year as compared to previous financial year, resulting in the decrease in capital inflows.

As at 31 December 2022, the net current assets of the Group was approximately RMB1,151.5 million, representing an increase of approximately RMB206.5 million from net current assets of approximately RMB945.0 million as at 31 December 2021, mainly due to the increase in account receivables in line with the increase in business scale. As at 31 December 2022, the Group's current ratio (total current assets divided by total current liabilities) was approximately 1.6x (as at 31 December 2021: approximately 1.6x).

As at 31 December 2022, the Group's gearing ratio (sum of current liabilities and non-current liabilities divided by sum of current assets and non-current assets) was approximately 61.5% (as at 31 December 2021: approximately 60.5%).

As at 31 December 2022, the borrowings of the Group were RMB10.0 million (as at 31 December 2021: Nil). Saved as disclosed herein, as at 31 December 2022, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans (as at 31 December 2021: Nil).

## **Principal risks and uncertainties**

### *Government Policy Risk*

The Company's business growth is, and will likely continue to be, affected by the PRC government regulations of our industry. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. Through these policies and measures, the PRC government may restrict or reduce property development activities and affect the delivery schedule and occupancy rates of the properties we provide services. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. The Group will continue to enrich the business structure to ensure a stable property management revenue, thereby minimizing the impact.

### *Future Acquisition or Expansion Risk*

In addition to our organic growth, when suitable opportunities arise, the Company will also explore selective investments in or acquisitions of other property management companies in the PRC. However, there can be no assurance that the Company will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including but not limited to, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if the Company manages to identify suitable opportunities, the Company may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. Given the above, the Company will identify acquisition targets in a cautious manner.

# MANAGEMENT DISCUSSION AND ANALYSIS

## **Significant investments, material acquisitions and disposals of subsidiaries, joint ventures and associates**

The Group did not hold any significant investment or significant securities investment as part of its asset portfolio, or had no material acquisition or disposal of any subsidiaries, joint ventures and associates during the Year.

## **Contingent liabilities**

As at 31 December 2022, the Group had no significant contingent liabilities.

## **Interest rate risk**

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

## **Foreign exchange risk**

The principal activities of the Group were conducted in the PRC, and a majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group was not exposed to material risk directly relating to foreign exchange rate fluctuation (except certain bank balances were denominated in Hong Kong dollars). During the Year, the Group did not enter into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

## **Events after reporting period**

As at the date of this report, the Group did not have material subsequent events after the reporting period.

## **Employment and remuneration policy**

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

The same remuneration philosophy is also applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

As at 31 December 2022, the Group had 13,897 employees (as at 31 December 2021: 11,057 employees).

# MANAGEMENT DISCUSSION AND ANALYSIS

## 4. OUTLOOK AND PROSPECT

The scale expansion of property management companies will continue, but the overall growth rate will slow down. Property management companies are shifting from major expansion of scale to pursuit of quality growth. Focusing on service quality improvement, deep cultivation in key cities and brand value enhancement to achieve sustained, steady and further quality scale growth will remain the theme of the Company's development.

### **(1) Optimizing basic property management services and building a base for high-quality development**

The high-growth period supported by the expansion of GFA in the property management industry will gradually reach the peak, and focusing on high-quality development will be the foundation for long-term development. Therefore, the Company proposes a new strategy of "adhering to quality, promoting service upgrading, building a moat, and consolidating the fundamentals". The strategy focuses on service quality, the combination of different operating tools (including equipment and people) in terms of basic property management services, the implementation of precise standards for different service scenarios and different operating hours, and the optimization of job's core responsibilities, task lists and action standards, supplemented by technology empowerment and management innovation. Through continuous innovation of the management model, it can greatly improve personnel efficiency and service efficiency, which will ensure the overall service quality of our projects, and provide a strong guarantee for maintaining a high level of customer service satisfaction.

### **(2) Focusing on high-quality cities and promoting large-scale development with both quality and price**

At this stage, leading property management companies have started the city-focused strategy and continuously increased the project density in a single city. This has become the development trend of the industry.

Therefore, the Company proposes to perform well in the property management services and community value-added and synergy services, strengthen the exploration of existing resources and refined operation, strengthen the localization and deep cultivation of business, improve the project density, and vigorously expand quality, structured and sustainable incremental business. At the same time, the Company insists on maintaining strict standards for merger and acquisition targets and adhering to prudent merger and acquisition strategies, focus on operation management on the basis of ensuring profit, quality and satisfaction, and achieve rapid business growth through cost reduction and efficiency improvement.



# MANAGEMENT DISCUSSION AND ANALYSIS

## **(3) Exploring customer needs, extending service boundaries and seizing diversified development opportunities**

In the process of rapid changes in the market environment, property management companies need to provide customers with customized, personalized and diversified service experience, including increasing efforts to promote real estate brokerage and asset management business; enriching product lines of the community group-purchasing services under home living services; exploring to promote the home beauty services and self-operated home living services, improving the service system and standards of the elderly-care & health value-added services, and extending the whole chain of elderly-care & health value-added service business in the elderly-care sector. The Group will strengthen the service quality of commercial property operation management business continuously; strive to improve the satisfaction of customers, merchants and property owners to make good use of its state-owned background and experience to seek more opportunities for expanding asset-light commercial property operation management projects. Therefore, the extension of property management services from basic services to living services is a general trend and an opportunity for the Company to develop.

## **(4) Empowering technology firmly, increasing investment in technology, and comprehensively supporting the implementation of strategies**

The Company continues to increase investment in the construction of intelligent platforms, integrate the core systems related to the main data, income and expenditure system, budget system and financial system, and conduct data mining and unified analysis to achieve “online, digital and process-oriented” operating results, which helps improve the quality and efficiency of service operations, reduce operating costs, deepen service quality, and reduce the pressure of expansion.

In conclusion, the Group will, taking service quality as support, actively grasp the development trend of the industry, continuously strengthen service quality and diversified development construction, continue to improve refined operation capabilities, and achieve long-term stable development of the Company.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## CHAIRMAN OF THE BOARD AND NON-EXECUTIVE DIRECTOR

**Mr. Lin Weiguo (林偉國先生) (“Mr. Lin”)**, aged 44, appointed as a Director on 22 September 2020 until his re-designation as a Non-executive Director on 28 September 2020 and was appointed as Chairman on 25 August 2022.

Mr. Lin worked as a financial manager, manager, regional sales director of a branch of Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from March 2000 to September 2007, where Mr. Lin was responsible for regional financial work and business management work of the relevant company. Mr. Lin has joined C&D Real Estate since September 2007 and worked as a financial controller from July 2013 to January 2016, an assistant to general manager from February 2016 to January 2017, and a deputy general manager from February 2017 to December 2022. Mr. Lin has been a director, the general manager and the vice secretary of the party committee of C&D Real Estate and a member of the party committee of Xiamen C&D Corporation Limited since April 2019, December 2022, March 2023 and February 2023, respectively. Mr. Lin was the financial controller of CDI, a company listed on the Stock Exchange (stock code: 1908) from March 2015 to March 2016 and was the chief operating officer of CDI from March 2016 to March 2019. Mr. Lin has been an executive director and the chief executive officer of CDI since March 2019. He currently serves as a director and legal representative of various subsidiaries of C&D Real Estate and the Group. Mr. Lin has been a director of C&D Holsin Engineering Consulting Co., Ltd. (formerly known as Holsin Engineering Consulting Group Co., Ltd.), a company listed on the Shanghai Stock Exchange (stock code: 603909), since December 2021 and was appointed as the chairman in August 2022.

Mr. Lin was recognised as a senior economist by Senior Position Review Committee of Economics in Xiamen in August 2015 and senior accountant by Fujian Human Resources and Social Security Bureau in August 2016.

Mr. Lin obtained a bachelor's degree in accounting from Anhui University of Finance and Economics in July 2010.

## EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

**Ms. Qiao Haixia (喬海俠女士) (“Ms. Qiao”)**, aged 47, was appointed as a Director from 22 September 2020 until her re-designation as the Company's executive Director on 28 September 2020. She was also appointed as the Company's chief executive officer on 28 September 2020.

Ms. Qiao has over 22 years of experience in the property management business. Ms. Qiao worked as a property management staff in Huijia (Xiamen) Property Management Company Limited\* (匯嘉(廈門)物業管理有限公司) (“Huijia”) from December 1999 to May 2003. From February 2005 to May 2015, Ms. Qiao held different positions including manager of property management department, assistant to general manager, vice general manager, general manager in Yijiayuan (Xiamen) Property Management Company Limited\* (怡家園(廈門)物業管理有限公司) (“Yijiayuan”), and she has been the chairperson of the board of directors of Yijiayuan since May 2015. Ms. Qiao has also worked as the chairperson of the board of directors of Huijia since May 2015. Ms. Qiao has been a member of the party committee of C&D Real Estate since September 2017. Ms. Qiao has been the chairperson of the board of C&D Property Service Group Limited\* (建發物業服務集團有限公司) (“C&D Property Service”) since February 2018.

Ms. Qiao was recognised as a certified intermediate property manager by the Ministry of Housing and Urban-Rural Development of the PRC (中國住房和城鄉建設部) in February 2014.

Ms. Qiao obtained a bachelor's degree in accounting (foreign trade accounting) in Northeastern University in 1999.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTOR

**Mr. Huang Danghui (黃黨輝先生) (“Mr. Huang”)**, aged 51, was appointed as a Director from 22 September 2020 until his re-designation as an executive Director on 28 September 2020.

Mr. Huang has over 24 years of experience in the property management business. Mr. Huang worked as a project manager in Huijia from April 1999 to March 2005. From March 2005 to June 2022, Mr. Huang held different positions including manager of service centre, assistant to general manager, vice general manager, general manager and director of Yijiayuan. He is currently a director of various subsidiaries of the Group.

Mr. Huang obtained a diploma in international finance from Xiamen University in 1993.

## NON-EXECUTIVE DIRECTOR

**Mr. Xu Yixuan (許伊旋先生) (“Mr. Xu”)**, aged 44, has been appointed as a non-executive Director with effect from 25 August 2022.

Mr. Xu joined C&D Real Estate in 2004 and served as deputy general manager of Design Management Center, general manager of Engineering Management Center, general manager of Xiamen Business Department, general manager of Southeast Regional Branch, etc. He is currently a deputy manager in C&D Real Estate, the chairman of the Southeast cluster of C&D Real Estate and a director and the legal representative of some subsidiaries of C&D Real Estate and CDI.

Mr. Xu graduated from Fuzhou University with a bachelor’s degree in Art Theory, and is an industrial artist.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Mr. Lee Cheuk Yin Dannis (李卓然先生)**, aged 52, was appointed as an independent non-executive Director on 23 December 2020.

Mr. Lee Cheuk Yin Dannis has served as the managing director of DLK Advisory Limited, a company engaged in financial advisory and investment consulting services, since October 2009. Mr. Lee Cheuk Yin Dannis served as an executive director of AMVIG Holdings Limited, a company listed on the Stock Exchange (stock code: 2300), from September 2001 to March 2010; an executive director and a non-executive director of BeijingWest Industries International Limited, a company listed on the Stock Exchange (stock code: 2339), from October 2003 to August 2005 and August 2005 to January 2009, respectively; and an executive director of AMCO United Holdings Limited, a company listed on the Stock Exchange (stock code: 630), from October 2010 to October 2011.

Mr. Lee Cheuk Yin Dannis has been an independent non-executive director and chairman of audit committee of Tiangong International Company Limited, a company listed on the Stock Exchange (stock code: 826), since September 2010; an independent non-executive director of CMBC Capital Holdings Limited, a company listed on the Stock Exchange (stock code: 1141), since June 2017; and an independent non-executive director of Cathay Media and Education Group Inc., a company listed on the Stock Exchange (stock code: 1981), since June 2020. He was also an independent non-executive director of Southern Energy Holdings Group Limited, a company listed on the Stock Exchange (stock code: 1573), from June 2016 to October 2019 and an independent non-executive director and chairman of audit committee of Geely Automobile Holdings Limited, a company listed on the Stock Exchange (stock code: 175), from June 2002 to May 2022. Mr. Lee Cheuk Yin Dannis was an independent director of Gridsum Holdings Inc., the American depository shares of which are listed on NASDAQ (stock code: GSUM) from June 2017 to March 2021.

Mr. Lee Cheuk Yin Dannis obtained a bachelor's degree in business administration from Texas A&M University in the United States in October 1992. Mr. Lee Cheuk Yin Dannis has become an associate member of the Hong Kong Institute of Certified Public Accountants since June 1996 and a member of the American Institute of Certified Public Accountants since April 1995. Mr. Lee Cheuk Yin Dannis possesses over 28 years of experience in accounting and auditing field.

Mr. Lee Cheuk Yin Dannis was a non-executive director of Norstar Founders Group Limited (now known as BeijingWest Industries International Ltd.) ("Norstar"), a company listed on the Stock Exchange (stock code: 2339), from 19 August 2005 to 15 January 2009, during which as a non-executive director, at all relevant times he had no involvement in the day-to-day operation or management of Norstar. Norstar is incorporated in the Cayman Islands and was the subject of a winding up petition and a provisional liquidator was appointed on 6 February 2009. The winding up petition was dismissed and provisional liquidator was discharged in January 2014. According to the announcements published by Norstar, it was the subject of a scheme of arrangement to restructure its debts whereby certain rights and claims of Norstar were assigned to administrators of the scheme of arrangement on behalf of Norstar's creditors. A writ of summons (the "Writ") was issued in June 2014 against, among others, Mr. Lee Cheuk Yin Dannis as a former director of Norstar. To the best knowledge and belief of the Company, the Writ alleged, among other things, various breaches of duties, contracts and applicable laws and regulations but it did not set out the basis or the specific incidents supporting the allegations therein. Further, Mr. Lee Cheuk Yin Dannis confirmed that (i) he was not aware of the matters alleged in the Writ, and (ii) he was never served any notice of proceedings or the Writ, and according to a letter from the plaintiff's solicitor to the solicitors of Mr. Lee Cheuk Yin Dannis, the Writ has been extended until 25 June 2016 and has expired without further application for extension. In view of (i) his lack of involvement in the day-to-day operation and management in Norstar during his time as a non-executive director of Norstar, (ii) the fact that the plaintiff has not served the Writ on Mr. Lee Cheuk Yin Dannis and the Writ has expired without further application, and (iii) continuing engagement of Mr. Lee Cheuk Yin Dannis as director of other companies listed on the Stock Exchange, the Company believes that Mr. Lee Cheuk Yin Dannis remains suitable to be an independent non-executive Director under Rules 3.08 and 3.09 of the Listing Rules.

## BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Li Kwok Tai James (李國泰先生)**, aged 54, was appointed as an independent non-executive Director on 23 December 2020.

Mr. Li Kwok Tai James served as a staff accountant in the audit department of Ernst & Young from May 1994 to January 1997; a senior accountant in the global corporate finance department of Arthur Andersen from May 1998 to January 2000; a senior associate of DBS Asia Capital Limited from January 2000 to January 2001; a manager in the listing division of Hong Kong Exchanges and Clearing Limited, a company listed on the Stock Exchange (stock code: 388), from September 2002 to June 2006; a senior manager in the corporate finance execution department of BNP Paribas Capital (Asia Pacific) Limited from June 2006 to May 2007; a vice president in the investment banking coverage department of J.P. Morgan Securities (Asia Pacific) Limited from May 2007 to December 2008; a vice president of New World Strategic Investment Limited, a wholly-owned subsidiary of New World Development Company Limited, a company listed on the Stock Exchange (stock code: 17), from April 2009 to April 2010; a director in the investment banking division of CGS-CIMB Securities (Hong Kong) Limited (formerly known as CIMB Securities Limited, a wholly-owned subsidiary of CIMB Group Sdn Bhd) from April 2010 to January 2017; and a managing director of HeungKong Financial Group Limited from July 2017 to May 2018. Mr. Li Kwok Tai James has served as a managing director in the investment banking department of Shanggu Securities Limited since June 2018. Mr. Li Kwok Tai James has been an independent non-executive director of Huasheng International Holding Limited, a company listed on the Stock Exchange (stock code:1323), since September 2020, and an independent non-executive director and chairman of audit committee of Powerwin Tech Group Limited, a company listed on the Stock Exchange (stock code: 2405), since March 2023.

Mr. Li Kwok Tai James obtained a bachelor's degree in engineering from the University of Liverpool in the United Kingdom in 1990; a master's degree in science from the University of Manchester in the United Kingdom in 1991; and a bachelor of laws degree from the University of London in the United Kingdom in 2005. Mr. Li Kwok Tai James has been a member of the American Institute of Certified Public Accountants since September 1999 and an associate member of the Hong Kong Institute of Certified Public Accountants since March 2000. Mr. Li Kwok Tai James was a committee member of the corporate finance advisory panel of the Hong Kong Institute of Certified Public Accountants from February 2015 to January 2021.

**Mr. Wu Yat Wai (胡一威先生) ("Mr. Wu")**, aged 54, was appointed as an independent non-executive Director on 23 December 2020.

Mr. Wu served as an analyst of the treasury department of The Hong Kong Jockey Club from September 1992 to April 1993; an assistant manager and manager of the corporate trust department of Bankers Trust Company from April 1993 to July 1995; an investment analyst of Credit Lyonnais Securities (Asia) Limited from November 1996 to April 2000; a senior vice president of the equity research division in Hong Kong of Lehman Brothers Asia Limited from April 2000 to May 2005; and a managing director of the global investment research division of Goldman Sachs (Asia) L.L.C. from May 2005 to May 2016. Mr. Wu has served as an independent non-executive director of Haitong Unitrust International Financial Leasing Co., Ltd., a company listed on the Stock Exchange (stock code: 1905), since May 2017.

Mr. Wu obtained a bachelor's degree in business administration from Hong Kong Baptist College (currently known as Hong Kong Baptist University) in 1991; and a master's degree in accounting and finance from London School of Economics and Political Science in the United Kingdom in 1992.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

Please refer to “Executive Director and Chief Executive Officer” and “Executive Director” above for the biographical details of Ms. Qiao and Mr. Huang.

**Ms. Luo Yi (駱藝女士) (“Ms. Luo”)**, aged 54, was appointed as the Company’s chief financial officer on 28 September 2020.

Before joining the Group, Ms. Luo worked as technician of engineering department, statistician of sales department, dean of general management department of finance department and manager of financial department in Xiamen Overseas Chinese Electronic Co., Ltd., a company listed on the Shanghai Stock Exchange (stock code: 600870), from February 1990 to April 2012, where she was responsible for business and financial related works.

Ms. Luo worked as a financial manager in Huijia from May 2012 to February 2014, manager of audit department and chief financial officer in Yijiyuan from March 2014 to February 2016 and March 2017 to January 2018, respectively, chief financial officer in C&D Property Service from February 2018 to March 2019. Ms. Luo acted as the assistant to group general manager in C&D Property Service from April 2019 to January 2021 and she has been the group deputy general manager since February 2021.

Ms. Luo was recognised as an intermediate accountant by the Ministry of Finance of the PRC in May 2006.

Ms. Luo obtained a diploma in microelectronic technology from South China University of Technology in July 1988.

## COMPANY SECRETARY

**Ms. Kam Mei Ha Wendy (甘美霞女士) (“Ms. Kam”)**, aged 55, was appointed as company secretary of the Company on 9 September 2022. Ms. Kam is an executive director of Corporate Services Division of Tricor Services Limited. Ms. Kam is a Chartered Secretary and a Fellow of both The Hong Kong Chartered Governance Institute (the “HKCGI”, formerly “The Hong Kong Institute of Chartered Secretaries”) and The Chartered Governance Institute (formerly “The Institute of Chartered Secretaries and Administrators”) in the United Kingdom. She is also a holder of the Practitioner’s Endorsement from HKCGI. Ms. Kam has more than 25 years of experience in the company secretary profession and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies.

# DIRECTORS' REPORT

The Directors are pleased to present to the Shareholders the annual report and the audited consolidated financial statements of the Group for the Year.

## PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The Company is an investment holding company. The principal activities and other particulars of its subsidiaries are set out in note 30 to the consolidated financial statements.

Further discussion and analysis of the business review required by Schedule 5 to the Hong Kong Companies Ordinance, including a description of the principal risks and uncertainties facing the Group and an indication of likely future development in the Group's business, can be found in the "Management Discussion and Analysis" set out on pages 9 to 24 of the annual report and the "Environmental, Social and Governance Report" set out on pages 71 to 139 of the annual report. The relevant discussion in the "Management Discussion and Analysis" and the "Environmental, Social and Governance Report" sections forms part of this directors' report.

## RESULTS

The results of the Group for the Year and the state of affairs of the Company and of the Group as at 31 December 2022 are set out in the consolidated financial statements and their accompanying notes on pages 145 to 225 of this annual report.

## FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.1 per Share for the Year (2021: HK\$0.06 per Share). Shareholders of the Company whose names appear on the register of members of the Company on Thursday, 8 June 2023 ("Eligible Shareholders") may select to receive the final dividend in the form of new Shares in lieu of cash in respect of part or all of such dividend (the "Scrip Dividend Scheme").

The Scrip Dividend Scheme is subject to the approval of the resolution in relation to the payment of the final dividend at the annual general meeting; and the approval by the Stock Exchange of the listing and permission to deal in the new Shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme together with the relevant selection form will be dispatched to the Eligible Shareholders on or about Friday, 9 June 2023. Subject to approval of the Shareholders, it is expected that the final dividend and certificate for the new Shares (if the Eligible Shareholders have elected to receive part or all of the final dividend in the form of new Shares) will be distributed and dispatched to the Eligible Shareholders on or about Friday, 7 July 2023.

## DIVIDEND POLICY

The Company has adopted a dividend policy in December 2020. In recommending or declaring dividends, the Company shall maintain adequate cash reserves for meeting its working capital requirements and funding its future growth as well as enhancing its Shareholder value. The Company does not have any pre-determined dividend payout ratio. The Board has the discretion to declare and pay dividends to the Shareholders, subject to the articles of association of the Company (the "Articles of Association") and all applicable laws and regulations of the BVI and other factors.

# DIRECTORS' REPORT

The Board shall also take into account the factors of the Group when considering the declaration, payment and the amounts of dividends, including results of operations, cash flow, financial position, statutory and regulatory restrictions on payment of dividends by the Company, future prospects of the Company and any other factors that the Board may consider relevant. Depending on the financial positions of the Company and the Group and the conditions and factors as set out above, the Board may propose and/or declare the following dividends for a financial year or period as an interim dividend, a final dividend, a special dividend and any distribution of net profits that the Board may deem appropriate. Any final dividend for a financial year will be subject to the approval of the Shareholders. The Board will review this dividend policy as appropriate from time to time.

## ANNUAL GENERAL MEETING

The AGM will be held on Tuesday, 30 May 2023.

## CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Tuesday, 23 May 2023.

For the purpose of ascertaining entitlement of the Shareholders to the final dividend, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share register, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Friday, 2 June 2023.

## FINANCIAL SUMMARY

A summary of the financial results as well as the assets and liabilities of the Group for the last five financial years is set out on page 226 of this annual report.

## SHARE CAPITAL

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

## TAX RELIEF AND EXEMPTION

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

## BORROWINGS

Details of the borrowings of the Group is set out in note 24 to the consolidated financial statements.



# DIRECTORS' REPORT

## RESERVES

Details of the movements in the reserves of the Company and the Group during the Year are set out in notes 28 and 29 to the consolidated financial statements and the consolidated statement of changes in equity on pages 148 to 149 respectively.

## DISTRIBUTABLE RESERVES

As at 31 December 2022, the distributable reserves (included Share premium and Accumulated losses) of the Company amounted to approximately RMB419,776,000 (2021: approximately RMB495,280,000).

Details of the movements in reserves during the year ended 31 December 2022 are set out in note 29 to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association although there are no restrictions against such rights under the laws of BVI.

## PROPERTY, PLANT AND EQUIPMENT

Details of the movements in the property, plant and equipment of the Group for the Year are set out in note 14 to the consolidated financial statements.

## CHARITABLE DONATIONS

During the Year, the Group did not make charitable donations (2021: Nil).

## MAJOR CUSTOMERS AND SUPPLIERS

Sales attributable to the Group's largest customer and five largest customers accounted for approximately 37.5% and 39.8% of the Group's total revenue for the Year, respectively.

The purchases made by the Group from its largest supplier and the five largest suppliers accounted for approximately 4.3% and 13.8% of the Group's total purchases for the Year, respectively.

Except Xiamen C&D Group, one of the five largest customers, none of the Directors or any of their close associates (as defined in the Listing Rules) or any shareholders of the Company (which, to the best knowledge of the Directors, own more than 5% of the Company's issued share capital) had any interest in the Group's five largest customers or suppliers during the Year.

# DIRECTORS' REPORT

## BOARD OF DIRECTORS

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

### Executive Directors

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

### Non-executive Directors (the "NEDs")

Mr. Lin Weiguo (*Chairman*)<sup>R/N</sup> (appointed as Chairman on 25 August 2022)

Mr. Xu Yixuan (appointed on 25 August 2022)

Mr. Zhuang Yuekai (resigned on 25 August 2022)

### Independent Non-executive Directors (the "INEDs")

Mr. Lee Cheuk Yin Dannis<sup>A/R/N</sup>

Mr. Li Kwok Tai James<sup>A/R/N</sup>

Mr. Wu Yat Wai<sup>A/R/N</sup>

Mr. Cheung Kwok Kwan, J.P. (resigned on 24 June 2022)

Notes:

A: Member of the audit committee of the Company

R: Member of the remuneration committee of the Company

N: Member of the nomination committee of the Company

Mr. Lin Weiguo, Mr. Huang Danghui, Mr. Wu Yat Wai and Mr. Xu Yixuan will retire from office by rotation at the annual general meeting, and being eligible, have offered themselves for re-election.

## DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHICAL DETAILS

Biographical details of the Directors and the senior management of the Group are set out on pages 25 to 29 of this annual report.

## CONFIRMATION OF INDEPENDENCE OF INEDS

The Company has received from each of the INEDs, namely Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. As at the date of this annual report, the Company still considered all of them to be independent.

# DIRECTORS' REPORT

## SERVICE CONTRACTS OF DIRECTORS

Each of the executive Directors has entered into a service agreement with the Company for an initial term of three years commencing on 28 September 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his/her appointment, and either party may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the executive Directors is entitled to a director's emolument of RMB600,000 per annum (which was determined by the Board with reference to his/her experience, knowledge, qualification, duties and responsibilities within the Group and the prevailing market conditions), and such management bonus and other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the NEDs has entered into a service agreement with the Company for an initial term of three years commencing from 28 September 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either party may terminate the agreement by giving the other party not less than two month's notice in writing. Each of the NEDs does not receive any director's emolument but he may be entitled to such discretionary bonus and/or other benefits as may be determined by and at the sole discretion of the Board (upon the recommendation of the remuneration committee of the Board) from time to time.

Each of the INEDs has entered into a letter of appointment with the Company for an initial term of three years commencing on 23 December 2020, which is renewable automatically for successive terms of one year commencing from the day immediately after the expiry of the then current term of his appointment, and either party may terminate the agreement by giving the other party not less than three months' notice in writing. From 1 January 2022, each of the INEDs is entitled to a director's emolument of HK\$120,000 per annum. From 1 January 2023, each of the INEDs is entitled to a director's emolument of HK\$150,000 per annum.

## DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY AND ASSOCIATED CORPORATIONS

As at 31 December 2022, the interests and short positions of the Directors and the chief executive of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to Section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in the Listing Rules, were as follows:

# DIRECTORS' REPORT

## Long positions in the Shares of the Company

Name of Director	Capacity/Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Lin Weiguo	Interest of controlled corporation	52,412,000 (Note 2)	3.92%
Ms. Qiao Haixia	Beneficiary of a trust	770,561 (Note 2)	0.06%
	Beneficiary of a trust (other than a discretionary interest)	600,000 (Note 3)	0.04%
Mr. Huang Danghui	Beneficial owner	32,000	0.002%
	Beneficiary of a trust	513,690 (Note 2)	0.04%
	Beneficiary of a trust (other than a discretionary interest)	600,000 (Note 3)	0.04%
Mr. Xu Yixuan	Beneficiary of a trust	1,541,070 (Note 2)	0.12%

### Notes:

- The percentage of shareholding was calculated based on the Company's total number of 1,336,261,106 Shares in issue as at 31 December 2022.
- These Shares were registered in the name of Diamond Firetail Limited ("Diamond Firetail"), a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee Limited ("Tricor Equity Trustee"). Tricor Equity Trustee is a trustee of a discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo is deemed to be interested in the Shares held by Diamond Firetail by virtue of the SFO. As a beneficiary of the trust, each of Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan is deemed to be beneficially interested in the portion of the Shares held by Diamond Firetail corresponding to their respective beneficial interest.
- The Incentive Scheme was approved at the extraordinary general meeting of the Company on 27 September 2021 and up to 35,300,000 ordinary shares of the Company can be allotted and issued to the trustee of the Incentive Scheme, who shall hold the ordinary shares of the Company on behalf of the incentive recipients of the Incentive Scheme. Pursuant to the Incentive Scheme, 28,250,000 shares were initially granted. Being the incentive recipients of the Incentive Scheme, each of Ms. Qiao Haixia and Mr. Huang Danghui is interested in 600,000 and 600,000 Shares held on trust by the trustee respectively, which are subject to vesting.

# DIRECTORS' REPORT

## Long positions in the shares of the Company's associated corporations

Name of Director	Name of associated corporation	Capacity/Nature of interests	Number of issued shares/underlying shares held	Approximate percentage of shareholding in issued share capital (Note 1)
Mr. Lin Weiguo	CDI	Interest of controlled corporation	51,484,506 (Note 2)	2.96%
	CDI	Beneficiary of a trust (other than a discretionary interest)	890,000 (Note 3)	0.05%
Ms. Qiao Haixia	CDI	Beneficiary of a trust	756,924 (Note 2)	0.04%
	CDI	Beneficial owner	32,000	0.002%
Mr. Huang Danghui	CDI	Beneficiary of a trust	504,599 (Note 2)	0.03%
Mr. Xu Yixuan	CDI	Beneficiary of a trust	1,513,798 (Note 2)	0.09%
	CDI	Beneficiary of a trust (other than a discretionary interest)	810,000 (Note 3)	0.05%

### Notes:

- The percentage of shareholding was calculated based on CDI's total number of 1,738,020,891 ordinary shares in issue as at 31 December 2022.
- These ordinary shares of CDI were registered in the name of Diamond Firetail, a company incorporated in the BVI and a wholly-owned subsidiary of Tricor Equity Trustee. Tricor Equity Trustee is a trustee of a discretionary trust, while Mr. Lin Weiguo is one of the protectors of the said discretionary trust. Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan are beneficiaries of the said discretionary trust. Therefore, Mr. Lin Weiguo is deemed to be interested in the ordinary shares of CDI held by Diamond Firetail by virtue of the SFO. As a beneficiary of the trust, each of Ms. Qiao Haixia, Mr. Huang Danghui and Mr. Xu Yixuan is deemed to be beneficially interested in the ordinary shares of CDI held by Diamond Firetail.
- 35,300,000 ordinary shares of CDI were allotted and issued to the trustee of the Incentive Scheme of CDI, who held such shares on behalf of the incentive recipients of the 2021 restricted share incentive scheme of CDI. Being the incentive recipients of the 2021 restricted share incentive scheme of CDI, each of Mr. Lin Weiguo and Mr. Xu Yixuan is interested in 290,000 and 280,000 ordinary shares of CDI held on trust by the trustee under the 2021 restricted share incentive scheme of CDI, respectively, which are subject to vesting. 100,000,000 ordinary shares of CDI were allotted and issued to the trustee of the 2022 restricted share incentive scheme of CDI, who held such shares on behalf of the incentive recipients of the 2022 restricted share incentive scheme of CDI. Being the incentive recipients of the 2022 restricted share incentive scheme of CDI, each of Mr. Lin Weiguo and Mr. Xu Yixuan is interested in 600,000 and 530,000 ordinary shares of CDI held on trust by the trustee under the 2022 restricted share incentive scheme of CDI, respectively, which are subject to vesting.

## DIRECTORS' REPORT

Save as disclosed above, as at 31 December 2022, none of the Directors and chief executive of the Company had any interests or short positions in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provision of the SFO); or (ii) required to be entered in the register maintained by the Company pursuant to section 352 of the SFO; or (iii) required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

### SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

As at 31 December 2022, so far as it was known to any Directors or the chief executive of the Company, the following parties (other than a Director or the chief executive of the Company) were recorded in the register kept by the Company under section 336 of the SFO, or as otherwise notified to the Company, as being directly or indirectly interested or deemed to be interested in 5% or more of the issued Shares and underlying Shares:

Name of substantial Shareholders	Capacity/ Nature of interests	Number of issued Shares/ underlying Shares held	Approximate percentage of interest in the issued capital (Note 1)
CDI	Beneficial owner	506,652,388	37.92%
Well Land	Beneficial owner	299,499,718 (Note 2)	22.41%
Well Honour International Limited (益鴻國際有限公司) ("Well Honour")	Interest of controlled corporations	806,152,106 (Note 2)	60.33%
C&D Real Estate	Interest of controlled corporations	806,152,106 (Note 2)	60.33%
Xiamen C&D Inc. (廈門建發股份有限公司)	Interest of controlled corporations	806,152,106 (Note 2)	60.33%
Xiamen C&D	Interest of controlled corporations	806,152,106 (Note 2)	60.33%
Mr. Richard Li	Interest of controlled corporation	93,630,000 (Note 3)	7.01%
OLP Capital Management Limited	Investment manager	93,630,000 (Note 3)	7.01%
RCWL Inc.	Interest of controlled corporation	93,630,000 (Note 3)	7.01%
Mr. Shen Di Fan	Interest of controlled corporation	93,630,000 (Note 3)	7.01%
Cederberg Capital (Cayman)	Interest of controlled corporation	91,189,000 (Note 4)	6.82%
Cederberg Capital (Cayman) GP	Interest of controlled corporation	91,189,000 (Note 4)	6.82%
Mr. Dawid Krige	Interest of controlled corporation	91,189,000 (Note 4)	6.82%
Dr. Michelle Beatrice Wright Bowie Krige	Interest of controlled corporation	91,189,000 (Note 4)	6.82%

# DIRECTORS' REPORT

## Notes:

1. The percentage was calculated based on the Company's total number of 1,336,261,106 Shares in issue as at 31 December 2022.
2. As at 31 December 2022, CDI held 506,652,388 Shares and CDI was held as to 55.99% by Well Land. Therefore, Well Land is deemed to be interested in the Shares held by CDI by virtue of the SFO. Pursuant to the voting rights entrustment agreement dated 29 March 2022, Well Land entrusted CDI to exercise voting rights of 213,801,777 Shares directly held by Well Land, representing 16% of the issued share capital of the Company, while Well Land continues to beneficially own the said Shares and have rights to the dividends, distributions and all other rights and benefits attaching thereto. Well Land is a wholly-owned subsidiary of Well Honour. Well Honour is a wholly-owned subsidiary of C&D Real Estate. C&D Real Estate is owned as to 54.65% and 45.35% by Xiamen C&D Inc., the shares of which are listed on the Shanghai Stock Exchange (stock code: 600153) and Xiamen C&D, a state-owned group of companies under the supervision of State-owned Assets Supervision and Administration Commission of Xiamen Municipal People's Government, respectively. Xiamen C&D is interested in Xiamen C&D Inc. as to 45.15%. Therefore, Well Honour, C&D Real Estate, Xiamen C&D Inc. and Xiamen C&D are deemed to be interested in the Shares held by Well Land by virtue of the SFO.
3. As at 31 December 2022, OceanLink Partners Fund, LP and Cassini Partners, L.P. were interested in 63,212,108 and 30,417,892 Shares, respectively. As at 31 December 2022, OLP Capital Management Limited is the investment manager of OceanLink Partners Fund, LP and Cassini Partners, L.P.. OLP Capital Management Limited is owned by Mr. Shen Di Fan and RCWL Inc. as to 65% and 35%, respectively. RCWL Inc. is a company wholly owned by Mr. Richard Li. Therefore, each of Mr. Shen Di Fan, Mr. Richard Li, RCWL Inc., and OLP Capital Management Limited is deemed to be interested in the Shares held by OceanLink Partners Fund, LP and Cassini Partners, L.P..
4. Cederberg Capital Limited was interested in 91,189,000 Shares. Cederberg Capital Limited is a wholly-owned subsidiary of Cederberg Capital (Cayman), with Mr. Dawid Krige and Dr. Michelle Beatrice Wright Bowie Krige being the only substantial shareholders. Cederberg Capital (Cayman) GP is the general partner of Cederberg Capital (Cayman). Therefore, each of Cederberg Capital (Cayman), Cederberg Capital (Cayman) GP, Mr. Dawid Krige and Dr. Michelle Beatrice Wright Bowie Krige are deemed interested in the Shares held by Cederberg Capital Limited.

## PERMITTED INDEMNITY PROVISION

Subject to the Companies Ordinance (Cap. 622 of the Laws of Hong Kong) and BVI Business Companies Act, every Director is entitled under the Articles of Association to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him/her as a Director in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. To the extent permitted by law, the Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of companies in the Group during the Year and up to the date of this report.

## ARRANGEMENTS FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Save as otherwise disclosed in this annual report, at no time during the Year and up to the date of this annual report was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of Shares in or debentures of the Company or any other body corporate.

# **DIRECTORS' REPORT**

## **DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE**

Save for continuing connected transactions set out on pages 40 to 48 of this annual report, there was no transaction, arrangement or contract of significance in relation to the Company's business, to which the Company or any of the Company's subsidiaries was a party, subsisting at the end of the Year or at any time up to the date of this annual report, and in which a Director or an entity connected with a Director had, whether directly or indirectly, a material interest, nor was there any other transaction, arrangement or contract of significance in relation to the Company's business between the Company or any of the Company's subsidiaries and a controlling shareholder or any of its subsidiaries.

## **DIRECTORS' INTERESTS IN A COMPETING BUSINESS**

During the Year and up to the date of this annual report, none of the Directors were considered to have interests in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group and any other conflicts of interest.

## **MANAGEMENT CONTRACT**

No contract 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.

## **RELATED PARTY TRANSACTIONS**

Details of the material related party transactions undertaken in the ordinary course of business by the Group during the Year are set out in note 32 to the consolidated financial statements, and save as disclosed in the paragraphs headed "Connecting Transactions" and "Continuing Connected Transactions" below, none of them constituted and there were no transactions which constituted a connected transaction (as defined under the Listing Rules) of the Company and was subject to reporting requirement during the Year.

## **LITIGATIONS**

There was no material litigations and obligations of the Group during the Year.



# DIRECTORS' REPORT

## CONNECTED TRANSACTIONS

During the Year, the Company entered into the following connected transactions:

### 1. The Reserved Interests Grant of the Incentive Scheme

On 15 December 2022, the Board resolved to grant in aggregate 7,050,000 restricted Shares to not more than 105 employees of the Group pursuant to the Incentive Scheme. Among the 7,050,000 reserved Shares granted, 2,630,000 restricted Shares are proposed to allot and issue to certain connected persons of the Company (i.e. 25 directors, supervisors and general managers of the Company's subsidiaries). The proposed allotment and issue of the restricted Shares to the connected persons of the Company constitutes a connected transaction of the Company, and is subject to the reporting, announcement, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

At the extraordinary general meeting of the Company held on 10 February 2023, the resolution approving the grant of 2,630,000 restricted Shares pursuant to the Incentive Scheme to 25 directors, supervisors and general managers of the Company's subsidiaries was passed by the independent shareholders of the Company by way of poll. On 28 March 2023, the Company completed the allotment and issue of 7,050,000 restricted Shares.

Further details about the Incentive Scheme are set out in the section headed "Restricted Share Incentive Scheme" under the Directors' Report in this annual report.

### 2. The Disposal of 25% Equity Interest in Xiamen Zhaohui Network Technology Co., Ltd.\* (廈門兆慧網絡科技有限公司) ("Xiamen Zhaohui") to CDI

On 22 December 2022, Xiamen Yirui Investment Management Co., Ltd.\* (廈門益睿投資管理有限公司) ("Xiamen Yirui"), an indirect wholly-owned subsidiary of the Company, and Ximen Yi Yue Property Company Limited\* (廈門益悅置業有限公司) ("Yi Yue") entered into the equity transfer agreement (the "Equity Transfer Agreement"), pursuant to which, among other things, Xiamen Yirui agreed to sell and Yi Yue agreed to purchase 25% equity interest in Xiamen Zhaohui. The cash consideration under the Equity Transfer Agreement shall be RMB3,393,475. Upon completion of the disposal, Xiamen Zhaohui will be held by Xiamen Yirui and Yi Yue as to 75% and 25%, respectively. As such, Xiamen Zhaohui will remain an indirect subsidiary of the Company.

As Yi Yue is an indirect wholly-owned subsidiary of CDI and CDI is the controlling shareholder of the Company, Yi Yue is a connected person of the Company. Accordingly, the transaction contemplated under the Equity Transfer Agreement constitutes a connected transaction of the Company, which is subject to the reporting and announcement requirements but is exempt from the circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Since the success of Xiamen Zhaohui's smart community services business hinges on its capability to serve the evolving needs and requirements of the property developers, the disposal will be beneficial for Xiamen Zhaohui to obtain more information about the upstream industry chain and to optimize and enhance its customized services for property developers, thereby promoting the further development of the relevant business.

# DIRECTORS' REPORT

## CONTINUING CONNECTED TRANSACTIONS

The following continuing connected transactions were recorded during the Year, details of these transactions are set out below:

### 1. Continuing Connected Transaction in relation to the Trademark Licensing Agreement

On 23 December 2020, the Company entered into a trademark licensing agreement (the "Trademark Licensing Agreement") with Xiamen C&D, pursuant to which Xiamen C&D agreed to grant to the Company (including its existing and future subsidiaries in which the Company holds 50% or more equity interest or has controlling interest) a non-transferable licence to use several trademarks registered in the PRC for a perpetual term commencing from the date of the Trademark Licensing Agreement, which is subject to the renewal of the licensed trademarks, on a royalty-free basis. The termination of the Trademark Licensing Agreement is conditional on that the Company is no longer controlled by Xiamen C&D or any entity controlled by Xiamen C&D. In addition, if any licensed trademark was not renewed by Xiamen C&D, the Group would not be licensed to use such trademark. Details of the licensed trademarks are set out in the paragraph headed "General Information — B. Further Information about the Business of our Company — 2. Intellectual property rights of our Group — (b) Trademarks licensed" in Appendix IV to the listing document of the Company dated 28 December 2020. The Directors believe that the entering into the Trademark Licensing Agreement with a term of more than three years can ensure the stability of the operations of the Group and is beneficial to the Company and the Shareholders as a whole. Considering (i) it is within normal business practice for agreements of this type to be of such duration; (ii) the strategic importance for the Group to use such trademarks; and (iii) such term is sufficiently long to provide better protection to the Group considering the nature of the licensed trademarks, the Directors are of the view that it is normal business practice for the Trademark Licensing Agreement to be of such duration.

The Company entered into the Trademark Licensing Agreement as the continual use of the licensed trademarks will ensure the continuity of the brand and image of the Group.

Xiamen C&D, as the registered proprietor of the licensed trademarks, is the controlling shareholder of the Company and therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Trademark Licensing Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon listing of the Company. As the right to use the licensed trademark are granted to us on a royalty-free basis, the transactions contemplated under the Trademark Licensing Agreement was within the de minimis threshold under the Listing Rules, and the entering into of the Trademark Licensing Agreement was be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 2. Continuing Connected Transaction in relation to the Lease Framework Agreement

On 23 December 2020, the Company entered into a lease framework agreement (the "Lease Framework Agreement") with Xiamen C&D, pursuant to which Xiamen C&D and its subsidiaries and joint ventures (but not including CDI and its subsidiaries, the Group and its joint ventures) agreed to lease to the Group and its joint ventures (excluding its connected subsidiaries) (i) certain properties for operational use; and (ii) the car parking spaces located at C&D International Building for the business use of the Group from the listing date of the Company (i.e. 31 December 2020) (the "Listing Date") until 31 December 2022.

## DIRECTORS' REPORT

Relevant subsidiaries and/or joint ventures of both parties will enter into separate lease agreements which will set out the specific terms and conditions according to the principles provided in the Lease Framework Agreement. Such transactions will be entered into on normal commercial terms or better and after arm's length negotiation among parties to the Lease Framework Agreement, with reference to the prevailing market rent of similar properties in the vicinity and should be no less favourable than that offered by independent third parties.

For each of the three years ended 31 December 2022, the annual caps of the rent payable by us under the Lease Framework Agreement are RMB4.75 million, RMB5.50 million and RMB6.25 million, respectively. When estimating the annual caps above, the Directors have considered (i) the historical leases entered into by the Group and the historical amount of rent paid to Xiamen C&D; (ii) the unit rent of the Group's leased properties and the market level of unit rent for comparable office units; (iii) the expected needs for the lease areas resulting from the future expansion of the Group; and (iv) the expected market rates of unit rent for office units. The annual caps are determined based on the estimated total value of right-of-use assets to be newly recognised relating to the applicable leases forecasted by the Company. The accounting treatment for the actual leases will comply with the applicable standards of HKFRS 16.

The rent, property management fees, public maintenance fund, utilities and air-conditioning fees shall be calculated and paid in the following manner:

- i. the rent is calculated based on the GFA of the subject properties multiplied by the rent per unit area which shall be determined with reference to the rent of similar properties in the vicinity and the local market rental level, subject to adjustment by the parties in accordance with the actual condition of the subject properties.
- ii. the Group shall pay the property management fees, public maintenance fund, utilities and air-conditioning fees in respect of the subject properties.
- iii. the Group shall make rental payment on a quarterly basis, and the specific payment and settlement could be arranged by negotiation between the parties to the lease.

It entered into the Lease Framework Agreement to ensure the consistency of the Group's operations and business (including the leasing of certain properties at the C&D International Building in the PRC). On 23 December 2022, the Company entered into the renewed lease framework agreement with Xiamen C&D in order to renew the Lease Framework Agreement, which was expired on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025.

Xiamen C&D is the controlling shareholder of the Company and, therefore, is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Framework Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules upon Listing, which is subject to the reporting, annual review and announcement requirements but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the amount of rent payable by the Group under the Lease Framework Agreement was approximately RMB3,938,000.

# DIRECTORS' REPORT

### 3. Continuing Connected Transaction in relation to Business Framework Agreement

The Company entered into a business framework agreement (the "Business Framework Agreement") on 23 December 2020 with C&D Real Estate and CDI, pursuant to which the Group and its joint ventures agreed to provide certain services to (i) Xiamen C&D and its subsidiaries, (excluding the CDI Group and the Group) and their joint ventures and associates (the "Remaining Xiamen C&D Group"); and (ii) the CDI Group (excluding the Group and its joint ventures) from the Listing Date (i.e. 31 December 2020) until 31 December 2022. Subsequently, on 4 October 2021, C&D Real Estate, CDI and the Company entered into a supplemental agreement (the "Supplemental Agreement") to revise the existing annual caps as approved under the Business Framework Agreement.

Under the Business Framework Agreement, the Group shall provide the following services to (i) the Remaining Xiamen C&D Group; and (ii) the CDI Group: (a) property management services, mainly including greening, gardening and order maintenance for public areas, cleaning, security, parking management, repair and maintenance services for public facilities, etc. to unsold and sold but undelivered commodity housing and office properties; (b) community value-added and synergy services, mainly including (i) home living services; (ii) home beauty services; (iii) real estate brokerage and asset management services; (iv) value-added services for public areas; (v) elderly-care & health value-added services; and (vi) smart community services; and (c) value-added services to non-property owners, mainly including (i) consultancy services to property developers during the property development and construction phases; and (ii) reception, order maintenance, cleaning and security and maintenance services to property developers during both pre-sales and post-sales phases.

The pricing basis of the abovementioned services is as follows:

1. Property management services: property management fees shall be determined after arm's length negotiations by the parties after taking into account a number of factors, including: (i) the types of the properties, such as residential and non-residential, and the location of the projects such as the tier of city; (ii) the scope and quality of the services provided; (iii) the expected operational costs (including, among other things, staff costs, material costs, sub-contracting costs and operational administrative expenses); (iv) the target profit margins of the Group; (v) profiles of the property owners and residents; (vi) the local government's guidance price on property management fees (where applicable); and (vii) the property management fees for similar services and similar types of projects in the market. Pursuant to the property management services contracts, the property management fees are calculated based on area multiplied by unit price. The specific unit price is calculated based on the prevailing market price in the location of the projects and approved by the relevant local authorities, as the case may be.
2. Community value-added and synergy services: the service fees of shall be determined after arm's length negotiations with reference to the prevailing market prices of similar services in the open market and historical charges for each of the three years ended 31 December 2019 and the six months ended 30 June 2020.
3. Value-added services to non-property owners: the service fees shall be determined after arm's length negotiations based on the calculation of "cost (calculated in accordance with the actual costs incurred, such as materials and labour) + indirect management fee (calculated by tax-exclusive income x 10–15%) + taxes". The abovementioned tax will be subject to adjustment in accordance with relevant rules and regulations.

## DIRECTORS' REPORT

For each of the three years ended 31 December 2022, the aggregate annual caps of the revenue receivable by the Group under the Business Framework Agreement (as supplemented by the Supplemental Agreement) are RMB370.0 million, RMB750.0 million and RMB995.0 million, respectively. For each of the three years ended 31 December 2022, the annual caps of the service fees payable to the Group by the CDI Group under the Business Framework Agreement (as supplemented by the Supplemental Agreement) are RMB270.0 million, RMB550.0 million and RMB745.0 million, respectively.

The table below sets out the breakdown of the annual caps of the service fees payable to the Group by the CDI Group for the years indicated:

	For the year ended 31 December					
	2020		2021		2022	
	RMB million	%	RMB million	%	RMB million	%
Property management services	6.0	2.2	35.0	6.4	50.0	6.7
Community value-added and synergy services	4.0	1.5	55.0	10.0	90.0	12.1
Value-added services to non-property owners	260.0	96.3	460.0	83.6	605.0	81.2
<b>Total</b>	270.0	100.0	550.0	100.0	745.0	100.0

For each of the three years ended 31 December 2022, the annual caps of the service fees payable to the Group by the Remaining Xiamen C&D Group under the Business Framework Agreement are RMB100.0 million, RMB200.0 million and RMB250.0 million, respectively.

The table below sets out the breakdown of the annual caps of the service fees payable to the Group by the Remaining Xiamen C&D Group for the years indicated:

	For the year ended 31 December					
	2020		2021		2022	
	RMB million	%	RMB million	%	RMB million	%
Property management services	35.0	35.0	50.0	25.0	60.0	24.0
Community value-added and synergy services	5.0	5.0	40.0	20.0	60.0	24.0
Value-added services to non-property owners	60.0	60.0	110.0	55.0	130.0	52.0
<b>Total</b>	100.0	100.0	200.0	100.0	250.0	100.0

## DIRECTORS' REPORT

The Group entered into the Business Framework Agreement and the Supplemental Agreement as it has been continuously providing various services to the Remaining Xiamen C&D Group and the CDI Group; and there has been long and good cooperation with each other.

At the time where the Business Framework Agreement and the Supplemental Agreement were entered into with the respective parties, each of C&D Real Estate and Well Land was a controlling shareholder of the Company. Well Land was also the controlling shareholder of CDI, and thus CDI was an associate of the Company. CDI completed the acquisition of 35% of the Shares from Well Land on 23 May 2022 and the voting rights entrustment agreement whereby Well Land entrusted CDI to exercise voting rights representing 16% of the Shares became effective on 24 May 2022. CDI became the controlling shareholder of the Company since then. As such, each of C&D Real Estate and CDI are connected persons of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Business Framework Agreement (as supplemented by the Supplemental Agreement) constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, which are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 30 December 2021, the resolution approving the transactions contemplated under the Supplemental Agreement was passed by the independent shareholders of the Company by way of poll.

During the Year, the service fees payable by the Remaining Xiamen C&D Group under the Business Framework Agreement (as supplemented by the Supplemental Agreement) amounted to approximately RMB117,273,000, of which the service fees payable under (i) property management services; (ii) community value-added and synergy services; and (iii) value-added services to non-property owners amounted to approximately RMB58,167,000, RMB15,039,000 and RMB44,067,000, respectively. During the Year, the service fees payable by the CDI Group under the Business Framework Agreement (as supplemented by the Supplemental Agreement) amounted to approximately RMB724,727,000, of which the service fees payable under (i) property management services; (ii) community value-added and synergy services; and (iii) value-added services to non-property owners amounted to approximately RMB31,544,000, RMB88,988,000 and RMB604,195,000, respectively.

In order to maintain the continuity and stability of the business and the Group's long term cooperation relationship with the Remaining Xiamen C&D Group and the CDI Group, on 19 October 2022, C&D Real Estate, CDI Group and the Company entered into the renewed business framework agreement in order to renew the Business Framework Agreement, which was expired on 31 December 2022, for a term of three years commencing on 1 January 2023 and ending on 31 December 2025. At the extraordinary general meeting of the Company held on 20 December 2022, the resolution approving the renewed business framework agreement was passed by the independent shareholders of the Company by way of poll.

# DIRECTORS' REPORT

## 4. Continuing Connected Transaction related to Inventory Property Underwriting Agreement

On 4 October 2021, CDI and the Company entered into an inventory property underwriting agreement (the "Inventory Property Underwriting Agreement"), pursuant to which the Group shall provide inventory property sales agency services to CDI for first-hand residential properties and/or parking spaces developed by CDI. The Group shall pay CDI the full amount representing the market value of the inventory properties contemplated under the Inventory Property Underwriting Agreement to buy out the selling right of the inventory properties and obtain sole and exclusive rights for providing inventory property sales agency services to CDI in relation to the inventory properties.

Pursuant to the Inventory Property Underwriting Agreement, the maximum market value of the unsold residential inventory properties for underwriting entrusted by CDI to the Group for sales per year shall not exceed RMB1 billion. After the Group completes the sale of a property to purchaser(s) and the CDI Group receives the purchase price of such property, the purchase price of that property prepaid by the Group (including the corresponding capital cost tentatively fixed to be 5% annually (subject to adjustment but no less than 5% annually)) shall be refunded to the Group. As such, based on the maximum capital costs to be received by the Group annually being RMB50 million, the proposed annual cap is RMB1.05 billion for each of the three years ended/ending 31 December 2023.

The Group entered into the Inventory Property Underwriting Agreement as it can (i) further extend and enrich the content of its community value-added and synergy services by providing inventory property sales agency services; (ii) benefit financially from the revenues generated from inventory property sales agency services provided to the CDI Group; and (iii) further build up good relationship with the property owners and residents by providing inventory property sales agency services.

At the time where the Inventory Property Underwriting Agreement was entered into with CDI, Well Land was the controlling shareholder of each of the Company and CDI, and thus CDI was an associate of the Company. CDI completed the acquisition of 35% of the Shares from Well Land on 23 May 2022 and the voting rights entrustment agreement whereby Well Land entrusted CDI to exercise voting rights representing 16% of the Shares became effective on 24 May 2022. CDI became the controlling shareholder of the Company since then. As such, the transactions contemplated under the Inventory Property Underwriting Agreement between the CDI Group and the Group constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules, which are subject to the reporting, announcement, annual review and independent shareholders' approval requirement under Chapter 14A of the Listing Rules. At the extraordinary general meeting of the Company held on 30 December 2021, the resolution approving the transactions contemplated under the Inventory Property Underwriting Agreement was passed by the independent shareholders of the Company by way of poll.

During the Year, service fee receivable by the Group under the Inventory Property Underwriting Agreement amounted to RMB46,166,000.

# DIRECTORS' REPORT

## 5. Continuing Connected Transactions in relation to provision of commercial property operation management services

On 7 September 2022, Xiamen Yuefa Commercial Management Company Limited\* (廈門悅發商業管理有限公司) (subsequently renamed as Xiamen C&D Commercial Management Company Limited\* (廈門建發商業管理有限公司), ("C&D Commercial"), a wholly-owned subsidiary of the Company, entered into a framework agreement (the "Commercial Services Framework Agreement") with C&D Real Estate and CDI, pursuant to which C&D Commercial shall provide commercial property operation management services for a variety of commercial assets projects of C&D Real Estate and its subsidiaries, its joint ventures and associates (excluding the CDI Group) (the "Remaining C&D Real Estate Group") and the CDI Group (excluding the Group) (the "Remaining CDI Group"), for the period from 7 September 2022 to 31 December 2024.

Commercial property operation management services to be provided by C&D Commercial mainly include:

- (i) Pre-positioning and design consultancy: providing pre-positioning, planning and design consultancy services for commercial projects that have not commenced operation; and
- (ii) Operation management: providing services including investment management, operation management and marketing planning for commercial projects that have commenced operation.

Commercial property operation management service fees for each of the abovementioned services are as follows:

- (i) Pre-positioning and design consultancy management fee is calculated at RMB50 per square metre of project management area (including car parks) per annum. The fee is calculated by multiplying the above rate by the actual time between the introduction of the project to C&D Commercial and the official commencement of the project; and
- (ii) Commercial property operation management service fee is calculated according to the type of fees charged, including:
  - (1) commercial property operation management service fee, of which the basic management service fee rate is calculated based on 3% of the "Full-calibre Project Operating Income" (see below for the definition) and the commission management service fee rate is calculated based on 5% of the "Project Operating Profit" (see below for the definition);
  - (2) branding fee, which is RMB1 million and RMB500,000 per annum for projects with management area (including car parks) of over 50,000 square metres and under 50,000 square metres, respectively;
  - (3) platform output management service fee, calculated at a rate of 0.5% of the "Full-calibre Project Operating Income"; and
  - (4) remuneration for the operating period of commercial project, calculated at a monthly rate of RMB1.2 per square metre of management area (including car parks).



## DIRECTORS' REPORT

“Full-calibre Project Operating Income” refers to the sum of the project rental income and other commercial income, and “Project Operating Profit” refers to the “Full-calibre Project Operating Income” less business tax and project operating costs (excluding the commission management service fee).

The commercial property operation management service fees may be adjusted according to the actual situation of the project upon unanimous consent by the parties after negotiation.

The proposed annual caps for the commercial property operation management service fees to be received by C&D Commercial from the Remaining C&D Real Estate Group under the Commercial Services Framework Agreement for each of the three years ended/ending 31 December 2024 are RMB16 million, RMB55 million and RMB60 million, respectively, and the proposed annual caps for the commercial property operation management service fees to be received by C&D Commercial from the Remaining CDI Group under the Commercial Services Framework Agreement for each of the three years ended/ending 31 December 2024 are RMB3 million, RMB9 million and RMB12 million, respectively.

In determining the proposed annual caps, the following main factors, among other things, have been considered: (i) the business environment and market conditions of the commercial projects proposed to be entrusted for the three years ended/ending 31 December 2024; (ii) the location, number and management area of the commercial projects proposed to be entrusted; (iii) new commercial projects that may be acquired in the future and the demand for commercial property operation management services; (iv) the pricing and charge level of commercial property operation management services in comparable markets; and (v) the operation model and the income and cost structure of the commercial property operation management business of the representative enterprises in the same industry.

The Company is mainly engaged in traditional property management services and it intends to expand its business scope to include commercial property operation management services, which is also in the light asset service sector. Entering into of the Commercial Services Framework Agreement will enable the Company to expand its commercial asset management business, making it a light asset service provider with “property management + commercial operation”, which is conducive to broadening and enriching its business foundation.

At the time where the Commercial Services Framework Agreement were entered into with the respective parties, each of C&D Real Estate and CDI was the controlling shareholder of the Company. Accordingly, the transactions contemplated under the Commercial Services Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Year, the service fee payable by the Remaining C&D Real Estate Group to C&D Commercial under the Commercial Service Framework Agreement amounted to approximately RMB14,537,000 and the service fee payable by the Remaining CDI Group to C&D Commercial amounted to approximately RMB1,454,000.

# DIRECTORS' REPORT

## Review by independent non-executive Directors and the auditor of the Company

Pursuant to Rule 14A.55 of the Listing Rules, the INEDs have reviewed the abovementioned continuing connected transactions and confirmed that such transactions have been conducted:

- (1) in the ordinary and usual course of business of the Group;
- (2) on normal commercial terms or better; and
- (3) according to the relevant agreements governing the relevant transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was also engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange. Based on its work, the Company's auditor has provided the Board with a letter confirming that, with respect to the aforesaid continuing connected transactions:

- a. nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have not been approved by the Board;
- b. for transactions involving the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;
- c. nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and
- d. with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the continuing connected transactions have exceeded the annual cap as set by the Company.

Save as disclosed above, a summary of material related party transactions made during the Year is disclosed in note 32 to the consolidated financial statements. To the extent that the Group's related party transactions constituted connected transactions or continuing connected transactions as defined in the Listing Rules, the Company had complied with the relevant requirements under Chapter 14A of the Listing Rules during the Year.

## EQUITY-LINKED AGREEMENTS

Other than the Incentive Scheme, no equity-linked agreements that will or may result in the Company issuing Shares, or that require the Company to enter into any agreements that will or may result in the Company issuing Shares, were entered into by the Company during the Year and up to the date of this annual report or subsisted at the end of the Year.

# DIRECTORS' REPORT

## PLACING OF NEW SHARES UNDER GENERAL MANDATE

On 10 December 2021, the Company and China International Capital Corporation Hong Kong Securities Limited entered into a placing agreement. The net proceeds (after deducting the actual expenses relating to the placing) from the placing of 131,300,000 new ordinary Shares (the aggregate nominal value of which was HK\$1,313,000) to two independent third parties, Cederberg Capital Limited and OceanLink Management Ltd., under general mandate was approximately HK\$546 million (representing a net placing price of approximately HK\$4.15 per placing Share), which was based on the placing price of HK\$4.16 per placing Share (the closing price as quoted on the Stock Exchange as at 10 December 2021 was HK\$4.15 per Share). Such net proceeds will be used in accordance with the intention disclosed in the announcement of the Company dated 10 December 2021. The table below sets out the planned applications of the net proceeds and actual usage up to 31 December 2022:

Use of proceeds	Planned applications (HK\$ million)	Percentage of total net proceeds	Actual usage up to 31 December 2022 (HK\$ million)	Unutilized net proceeds as at 31 December 2022 (HK\$ million)	Expected timeframe for utilizing the remaining unutilized net proceeds
Salaries and benefits of additional relevant staff and employees to be hired for new projects	191	35%	191	–	–
Acquisition and maintenance of equipment and materials needed for services	57	10.5%	57	–	–
Supporting the Group's exploration of new business development directions and enrichment of service content	115	21%	115	–	–
Improvement of AI equipment in projects currently under the Group's management, perfect its online shopping platform and increase maintenance of operating software and hardware	19	3.5%	19	–	–
Acquisition(s)	164	30%	44	120	On or before 31 December 2023 <sup>(Note)</sup>

Note: Given the market condition and that the Company insisted on maintaining strict standards for merger and acquisition targets and adhering to prudent merger and acquisition strategies, the Company did not utilise the entire proceeds for acquisition during the Year. The Company will consider acquisitions of appropriate targets that could enhance the concentration and layout of key cities and were in line with its own culture if opportunities arise. The expected timeline for utilizing the remaining proceeds is based on the best estimation of the future market conditions made by the Group. It will be subject to change based on the current and future development of market conditions.

# DIRECTORS' REPORT

## RESTRICTED SHARE INCENTIVE SCHEME

The Incentive Scheme was approved at the extraordinary general meeting of the Company on 27 September 2021 (the "EGM"). Details of the Incentive Scheme have been disclosed in the announcement of the Company published on 2 July 2021 (the "**Announcement**") and the circular of the Company published on 6 September 2021. The principal terms are as follows:

**(i) Purpose**

To establish and improve the Company's medium to long-term incentive mechanism to collectively integrate interests of the Shareholders, the Company and the Company's core team, fully motivate the management and core staff of the Company and achieve high-quality development of the Company.

**(ii) Incentive Recipients**

Directors and senior management of the Group who play a vital role in the medium to long-term development of the Company and the core staff of the Group who have made direct contribution to the operating results and sustainable development of the Company (excluding independent Directors, Shareholders or de facto controllers of the Company who individually or collectively hold more than 5% of the issued Shares of the Company and their respective spouses, parents or children).

**(iii) Shares Available under the Incentive Scheme**

The maximum number of restricted Shares to be granted to the recipients under the Incentive Scheme is 35,300,000 Shares, representing approximately 2.64% of the total issued Shares as at 31 December 2022.

**(iv) Maximum Entitlement of Each Participant**

The total number of the Shares to be granted to each of the recipients under the Incentive Scheme shall not exceed 1% of the total issued Shares.

**(v) Validity Period**

The validity period of the Incentive Scheme shall commence from the date of the approval at the EGM and end on the date on which all lock-up restrictions imposed on the restricted Shares to be granted to the incentive recipients are lifted or all the restricted Shares to be granted to the incentive recipients are lapsed, which shall be no more than ten years (no later than 26 September 2031).

**(vi) Lock-up Period**

The lock-up periods of the Incentive Scheme are 24 months, 36 months and 48 months from the date of allotment and issue of the restricted Shares, and 40%, 30% and 30% of the restricted Shares will be unlocked after each of the three lock-up period expires, but subject to fulfillment of the conditions pursuant to the Incentive Scheme, respectively. The restricted Share shall not be transferred, used as guarantee or for repayment of debts during the lock-up period.

# DIRECTORS' REPORT

## (vii) Grant Price

The grant price under the Incentive Scheme is HK\$2.41 per Share. Pursuant to the Incentive Scheme, the restricted Shares shall be granted at a price not less than the par value of the Shares and not less than the higher of:

- (i) 50% of the closing price of the Shares as quoted on the Stock Exchange on the price benchmark date (i.e. the trading day immediately prior to the date of the Announcement); and
- (ii) 50% of the average closing price of the Shares as quoted on the Stock Exchange for the five consecutive trading days immediately preceding the price benchmark date (i.e. the trading day immediately prior to the date of the Announcement).

Grant Price was determined with reference to the Notice on Further Improving the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies (Guo Zi Fa Kao Fen Gui [2019] No. 102) 《關於進一步做好中央企業控股上市公司股權激勵工作有關事項的通知》(國資發考分[2019]102號) and Guidelines for the Implementation of Equity Incentive Schemes by Central SOE-controlled Listed Companies (Guo Zi Fa Kao Fen Gui [2020] No. 178) 《中央企業控股上市公司實施股權激勵工作指引》(國資考分[2020]178號).

Pursuant to the Incentive Scheme and the agreement for grant of restricted Shares entered into between the Company and each of the incentive recipients, the incentive recipients shall pay the subscription funds for the restricted Shares granted to the Company's designated account within the time period as prescribed by the Company. There is no additional amount payable on application or acceptance of the restricted Shares awarded.

## (viii) Completion of the Grant

On 4 November 2021, the Company completed allotment and issue of 28,250,000 restricted Shares under the Incentive Scheme. The closing price of the Shares immediately before the grant date was HK\$4.17 per Share. A total of 7,050,000 Shares were reserved to be granted to the incentive recipient(s).

On 15 December 2022, the Board resolved to grant in aggregate 7,050,000 restricted Shares to not more than 105 employees of the Group pursuant to the Incentive Scheme. Among the 7,050,000 reserved Shares granted, 2,630,000 restricted Shares are proposed to allot and issue to certain connected persons of the Company (i.e. 25 directors, supervisors and general managers of the Company's subsidiaries). Details of the grant were disclosed in the Company's announcement dated 15 December 2022 and the Company's circular dated 17 January 2023.

7,050,000 restricted Shares are proposed to be allotted and issued under the general mandate approved at the annual general meeting of the Company held on 20 May 2022. As at 31 December 2022, the restricted Shares have not been allotted and issued.

At the extraordinary general meeting of the Company held on 10 February 2023, the resolution approving the grant of 2,630,000 restricted Shares pursuant to the Incentive Scheme to 25 directors, supervisors and general managers of the Company's subsidiaries was passed by the independent shareholders of the Company by way of poll. On 28 March 2023, the Company completed allotment and issue of 7,050,000 restricted shares.

# DIRECTORS' REPORT

The net proceeds received under the allotment and issue of 7,050,000 restricted Shares was approximately HK\$17 million (representing a net price of approximately HK\$2.41 per restricted share). Such net proceeds were intended for general working capital and were fully used in accordance with the intention disclosed in the announcement of the Company dated 15 December 2022.

Details of the accounting standard and policy adopted for the Incentive Scheme are set out in note 2 "2.26 Share-based employee compensation" to the consolidated financial statements contained in this report. Details of the share-based payments under the Incentive Scheme are set out in note 9 "Employment Benefit Expense (Including Directors' Emoluments)" to the consolidated financial statements contained in this report.

Details of the movements of the restricted Shares during the Year are as follows:

Name of the incentive recipient	Position with the Group	Number of Restricted Shares as at 1 January 2022	Date of grant	Granted during the Period	Vested during the Period	Cancelled during the Period	Lapsed during the Period	Number of Restricted Shares as at 31 December 2022	Vesting Period (Note 1)
Ms. Qiao Haixia	Executive Director	600,000	-	-	-	-	-	600,000	4 November 2021 to 3 November 2026
Mr. Huang Danghui	Executive Director	600,000	-	-	-	-	-	600,000	4 November 2021 to 3 November 2026
Sub-total		1,200,000		-				1,200,000	
<b>Employees of the Group</b>									
Senior management of the Company, directors, former directors, supervisor and general managers of the Company's subsidiaries (Note 4)	-	7,280,000	-	-	-	-	270,000	7,010,000	4 November 2021 to 3 November 2026
Other employees of the Group	-	19,770,000	-	-	-	-	880,000	18,890,000	4 November 2021 to 3 November 2026
Total		28,250,000		-	-	-	1,150,000 (Note 2)	27,100,000	

Notes:

- All restricted Shares granted to the incentive recipients are subject to different lock-up periods. The restricted Shares shall be released starting from 24 months, 36 months and 48 months from the grant date of the restricted Shares, respectively; and 40%, 30% and 30% of the restricted Shares will be released during each period, respectively.
- During the Year, a total of 1,150,000 restricted Shares were lapsed as a result of the resignation of incentive recipients.
- As at 31 December 2022, none of the restricted Shares under the Incentive Scheme were vested.
- During the Year, the composition of this category of employees of the Group changed due to personnel adjustment within the Group. As such, the relevant composition presented above is with reference to the circulars of the Company dated 6 September 2021 and 17 January 2023, respectively.

The validity period of the Incentive Scheme shall end on the date on which all lock-up restrictions imposed on the Restricted Shares are lifted or all Restricted Shares granted to the Incentive Recipients lapsed, which shall be no later than 26 September 2031.

# DIRECTORS' REPORT

## RETIREMENT BENEFIT SCHEMES/PENSION SCHEME

Retirement benefits to employees are provided through defined contribution plans.

The retirement benefits costs charged in the income statement represent the contributions payable in respect of the current year to the retirement benefits scheme managed by respective local social security bureau in accordance with government regulations in different jurisdictions. The forfeited contributions (by us on behalf of employees who leave the scheme prior to vesting fully in such contributions) will not be used by us to reduce the existing level of contributions. Please refer to note 2.21 to the consolidated financial statements for the Year for more information.

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

Save for the issue of Shares pursuant to the Incentive Scheme, neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities up to the date of this annual report.

## CORPORATE GOVERNANCE

Particulars of the Company's corporate governance practices are set out in the Corporate Governance Report on pages 55 to 70 of this annual report.

## SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this annual report, the Company has maintained a sufficient public float (i.e. at least 25% of the issued Shares were held by the public) as required by Rule 8.08 of the Listing Rules.

## REVIEW BY AUDIT COMMITTEE

The audit committee of the Company ("Audit Committee") (comprising all three INEDs, namely Mr. Lee Cheuk Yin Dannis (committee chairman), Mr. Li Kwok Tai James and Mr. Wu Yat Wai) has reviewed with the management the audited consolidated financial statements of the Company for the Year.

## INDEPENDENT AUDITOR

The Group's consolidated financial statements for the Year have been audited by Grant Thornton Hong Kong Limited which will retire and, being eligible, offer itself for re-appointment at the AGM. Having approved by the Board upon the Audit Committee's recommendation, a resolution to re-appoint Grant Thornton Hong Kong Limited and to authorise the Directors to fix its remuneration will be proposed at the AGM.

There has been no change in auditor in any of the preceding three years as of 31 December 2022.

On behalf of the Board

**Lin Weiguo**

*Chairman and Non-executive Director*

Hong Kong, 30 March 2023

# CORPORATE GOVERNANCE REPORT

The Board hereby presents to the Shareholders the corporate governance report for the year ended 31 December 2022 (the “Reporting Period”).

## CORPORATE GOVERNANCE CULTURE AND VALUE

The Company is committed to ensuring that its affairs are conducted in accordance with high ethical standards. This reflects its belief that, in the achievement of its long-term objectives, it is imperative to act with probity, transparency and accountability. By so acting, the Company believes that Shareholder wealth will be maximised in the long term and that its employees, those with whom it does business and the communities in which it operates will all benefit.

Corporate governance is the process by which the Board instructs management of the Group to conduct its affairs with a view to ensuring that its objectives are met. The Board is committed to maintaining and developing robust corporate governance practices that are intended to ensure:

- satisfactory and sustainable returns to Shareholders;
- that the interests of those who deal with the Company are safeguarded;
- that overall business risk is understood and managed appropriately;
- the delivery of high-quality products and services to the satisfaction of customers; and
- that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

The Board is committed to achieving high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company’s corporate governance practices are based on the principles and code provisions as set out in the Corporate Governance Code (the “CG Code”) contained in Appendix 14 to the Listing Rules.

The Board is of the view that throughout the Reporting Period, the Company has complied with all the applicable principles and code provisions as set out in the CG Code.

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the CG Code contained in Appendix 14 to the Listing Rules. Such policies and procedures provide the infrastructure for enhancing the Board’s ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.



# CORPORATE GOVERNANCE REPORT

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by the Directors and relevant employees who are likely to be in possession of unpublished inside information of the Company.

Specific enquiry has been made of all the Directors and the Directors have confirmed that they have complied with the Model Code throughout the Reporting Period.

No incident of non-compliance of the Model Code by the relevant employees was noted by the Company from the Reporting Period.

## BOARD OF DIRECTORS

The Company is headed by an effective Board which oversees the Group's businesses, strategic decisions and performance and takes decisions objectively in the best interests of the Company.

The Board has a balance of skills, experience and diversity of perspectives appropriate to the requirements of the Company's business and regularly reviews the contribution required from a Director to perform his/her responsibilities to the Company and whether the Director is spending sufficient time performing them that are commensurate with their role and the Board responsibilities. The Board includes a balanced composition of executive Directors and non-executive Directors (including independent non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement.

### Board Composition

During the Reporting Period, the Board comprises the following Directors:

#### *Executive Directors*

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

#### *Non-executive Directors*

Mr. Zhuang Yuekai <sup>(1)</sup>

Mr. Lin Weiguo (*Chairman*) <sup>(2)</sup>

Mr. Xu Yixuan <sup>(3)</sup>

#### *Independent Non-executive Directors*

Mr. Cheung Kwok Kwan, J.P. <sup>(4)</sup>

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

# CORPORATE GOVERNANCE REPORT

Notes:

- (1) Mr. Zhuang Yuekai resigned as a non-executive Director and Chairman with effect from 25 August 2022.
- (2) Mr. Lin Weiguo was appointed as Chairman with effect from 25 August 2022.
- (3) Mr. Xu Yixuan was appointed as non-executive Director with effect from 25 August 2022.
- (4) Mr. Cheung Kwok Kwan, J.P. resigned as an independent non-executive Director with effect from 24 June 2022.

The biographical information of the Directors is set out in the section headed “Biographical Details of Directors and Senior Management” on pages 25 to 29 of this annual report.

None of the members of the Board is related to one another.

## Board Meetings and Directors’ Attendance Records

Regular Board meetings should be held at least four times a year at approximately quarterly intervals involving active participation, either in person or through electronic means of communication, of a majority of Directors.

Apart from regular Board meetings, the Chairman also held meeting with independent non-executive Directors without the presence of other Directors for compliance with the code provision C.2.7.

During the Reporting Period, four Board meetings, one annual general meeting and one extraordinary general meeting (the “EGM”) were held. Details of the attendance of the Directors are as follows:

Name of Directors	Attendance of Board meeting	Attendance of annual general meeting	Attendance of EGM
Ms. Qiao Haixia	4/4	1/1	1/1
Mr. Huang Danghui	4/4	1/1	1/1
Mr. Zhuang Yuekai ( <i>resigned on 25 August 2022</i> )	2/2	1/1	N/A
Mr. Lin Weiguo	4/4	1/1	1/1
Mr. Xu Yixuan ( <i>appointed on 25 August 2022</i> )	2/2	N/A	1/1
Mr. Cheung Kwok Kwan, J.P. ( <i>resigned on 24 June 2022</i> )	2/2	1/1	N/A
Mr. Lee Cheuk Yin Dannis	4/4	1/1	1/1
Mr. Li Kwok Tai James	4/4	1/1	1/1
Mr. Wu Yat Wai	4/4	1/1	0/1

## Chairman and Chief Executive Officer

The positions of Chairman and chief executive officer of the Company (“Chief Executive Officer”) are held by Mr. Zhuang Yuekai and Ms. Qiao Haixia respectively. With effect from 25 August 2022, Mr. Zhuang Yuekai resigned as Chairman. Mr. Lin Weiguo has been appointed as the Chairman. The Chairman provides leadership and is responsible for the effective functioning and leadership of the Board. The Chief Executive Officer focuses on the Company’s business development and daily management and operations generally.

# CORPORATE GOVERNANCE REPORT

## **Independent Non-executive Directors**

During the Reporting Period, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written annual confirmation from each of the independent non-executive Directors in respect of his independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company considers all independent non-executive Directors are independent.

## **Board Independence Evaluation**

The Company has established a Board Independence Evaluation Mechanism during the year which sets out the processes and procedures to ensure a strong independent element on the Board, which allows the Board effectively exercises independent judgment to better safeguard Shareholders' interests.

The objectives of the evaluation are to improve Board effectiveness, maximise strengths, and identify the areas that need improvement or further development. The evaluation process also clarifies what actions of the Company need to be taken to maintain and improve the Board performance, for instance, addressing individual training and development needs of each Director.

Pursuant to the Board Independence Evaluation Mechanism, the Board will conduct annual review on its independence. The Board Independence Evaluation Report will be presented to the Board which will collectively discuss the results and the action plan for improvement, if appropriate.

During the Reporting Period, all Directors has completed the independence evaluation in the form of a questionnaire individually and supplemented by individual interviews. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the Reporting Period, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

## **Appointment and Re-election of Directors**

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of three years from their respective date of appointment, which is renewable automatically for successive terms of one year commencing on the day immediately after the expiry of the then current term of his/her appointment, subject to retirement by rotation and re-election at the annual general meeting in accordance with the Articles of Association of the Company.

Under the Articles of Association of the Company, at every annual general meeting of the Company, 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 not less than one-third shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. The retiring Directors shall be eligible for re-election. Moreover, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company, any Director appointed as an addition to the Board shall hold office only until the next following general meeting of the Company, and in each case such Director shall then be eligible for re-election at the relevant meeting.

# CORPORATE GOVERNANCE REPORT

Accordingly, Mr. Huang Danghui, Mr. Lin Weiguo and Mr. Wu Yat Wai will retire from office by rotation at the forthcoming annual general meeting, and being eligible, have offered themselves for re-election.

The Company's Articles of Association also provides that all Directors appointed to fill a casual vacancy or as addition to the Board shall hold office until the first annual general meeting after appointment. The retiring Directors shall be eligible for re-election.

On 25 August 2022, Mr. Xu Yixuan has been appointed as a non-executive Director. In accordance with Article 14.2 of the Articles of Association of the Company, Mr. Xu Yixuan will retire and being eligible, offer himself for re-election at the forthcoming annual general meeting. Save as disclosed under "Service Contracts of Directors" of this annual report, none of the Directors who is proposed for re-election or any other Directors has a service contract that is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

## **Responsibilities, Accountabilities and Contributions of the Board and Management**

The Board should assume responsibility for leadership and control of the Company; and is collectively responsible for directing and supervising the Company's affairs.

The Board directly, and indirectly through its committees, leads and provides direction to management by laying down strategies and overseeing their implementation, monitors the Group's operational and financial performance, and ensures that sound internal control and risk management systems are in place.

All Directors, including non-executive Directors and independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

The independent non-executive Directors are responsible for ensuring a high standard of regulatory reporting of the Company and providing a balance in the Board for bringing effective independent judgement on corporate actions and operations.

All Directors have full and timely access to all the information of the Company and may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The Directors shall disclose to the Company details of other offices held by them.

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 co-ordinating the daily operation and management of the Company are delegated to the management.

The Company has arranged appropriate insurance coverage on Directors' and officers' liabilities in respect of any legal actions taken against Directors and senior management arising out of corporate activities. The insurance coverage would be reviewed on an annual basis.

# CORPORATE GOVERNANCE REPORT

## Continuous Professional Development of Directors

Directors shall keep abreast of regulatory developments and changes in order to effectively perform their responsibilities and to ensure that their contribution to the Board remains informed and relevant.

Every newly appointed Director has received a formal and comprehensive induction on the first occasion of his/her appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of Director's responsibilities and obligations under the Listing Rules and relevant statutory requirements. Such induction shall be supplemented by visits to the Company's key plant sites and meetings with senior management of the Company.

Directors should participate in appropriate continuous professional development ("CPD") to develop and refresh their knowledge and skills. Internally-facilitated briefings for Directors would be arranged and reading materials on relevant topics would be provided to Directors where appropriate. All Directors are encouraged to attend relevant training courses at the Company's expenses.

The record of CPD relating to Director's duties and regulatory and business development that have been received by the Directors for the Reporting Period are summarized as follows:

Name of Directors	Type of Training <sup>(1)</sup>
<b>Executive Directors</b>	
Ms. Qiao Haixia	A/B
Mr. Huang Danghui	A/B
<b>Non-executive Directors</b>	
Mr. Zhuang Yuekai <sup>(2)</sup>	A/B
Mr. Lin Weiguo (Chairman) <sup>(3)</sup>	A/B
Mr. Xu Yixuan <sup>(4)</sup>	
<b>Independent Non-executive Directors</b>	
Mr. Cheung Kwok Kwan, J.P. <sup>(5)</sup>	A/B
Mr. Lee Cheuk Yin Dannis	A/B
Mr. Li Kwok Tai James	A/B
Mr. Wu Yat Wai	A/B

Notes:

(1) Types of Training

A: Attending training sessions, including but not limited to, briefings, seminars, conferences and workshops

B: Reading relevant news alerts, newspapers, journals, magazines and relevant publications

(2) Mr. Zhuang Yuekai resigned as a non-executive Director and chairman of the Board with effect from 25 August 2022.

(3) Mr. Lin Weiguo was appointed as chairman of the Board with effect from 25 August 2022.

(4) Mr. Xu Yixuan was appointed as non-executive Director with effect from 25 August 2022.

(5) Mr. Cheung Kwok Kwan, J.P. resigned as an independent non-executive Director with effect from 24 June 2022.

# CORPORATE GOVERNANCE REPORT

## BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, Remuneration Committee and Nomination Committee, for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with specific written terms of reference which deal clearly with their authority and duties. The terms of reference of the Audit Committee, Remuneration Committee and Nomination Committee are posted on the Company's website and the Stock Exchange's website and are available to Shareholders upon request.

The list of the Chairman and members of each Board committee is set out under "Corporate Information" on page 2.

### Audit Committee

The Audit Committee consists of three independent non-executive Directors, namely Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai. Mr. Lee Cheuk Yin Dannis is the chairman of the Audit Committee.

On 24 June 2022, Mr. Cheung Kwok Kwan, J.P. resigned as a member of the Audit Committee.

The terms of reference of the Audit Committee are of no less exacting terms than those set out in the CG Code. The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, risk management and internal control systems, effectiveness of the internal audit function, scope of audit and appointment of external auditors, and arrangements to enable employees of the Company to raise concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

During the Reporting Period, the Audit Committee held two meetings to review the annual financial results and report in respect of the year ended 31 December 2021, the interim results and report for the six months ended 30 June 2022, and significant issues on the financial reporting, operational and compliance controls, the effectiveness of the risk management and internal control systems and internal audit function, appointment of external auditors and engagement of non-audit services and relevant scope of works and, connected transactions and arrangements for employees to raise concerns about possible improprieties.

The Audit Committee also met the external auditors twice without the presence of the executive Directors.

The attendance of the members of the Audit Committee are as follows:

<b>Name of Members of the Audit Committee</b>	<b>Attendance</b>
Mr. Lee Cheuk Yin Dannis ( <i>Chairman</i> )	2/2
Mr. Cheung Kwok Kwan, J.P. (resigned on 24 June 2022)	1/2
Mr. Li Kwok Tai James	2/2
Mr. Wu Yat Wai	2/2

# CORPORATE GOVERNANCE REPORT

## Remuneration Committee

The Remuneration Committee consists of four members, namely Mr. Lin Weiguo, non-executive Director, Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, independent non-executive Directors. Mr. Wu Yat Wai is the chairman of the Remuneration Committee.

On 24 June 2022, Mr. Cheung Kwok Kwan, J.P. resigned as a member of Remuneration Committee. On 25 August 2022, Mr. Zhuang Yuekai resigned as a member of Remuneration Committee and Mr. Lin Weiguo has been appointed as a member of Remuneration Committee.

The terms of reference of the Remuneration Committee are of no less exacting terms than those set out in the CG Code. The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors and senior management, the remuneration policy and structure for all Directors and senior management, establishing transparent procedures for developing such remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, approving the terms of executive directors' service contracts; and reviewing and/or approving matters relating to share schemes.

During the Reporting Period, the Remuneration Committee held one meeting to review and make recommendation to the Board on the remuneration policy and structure of the Company and the remuneration packages of the executive Directors and senior management and other related matters.

The attendance of the members of the Remuneration Committee are as follows:

Name of Members of the Remuneration Committee	Attendance
Mr. Wu Yat Wai ( <i>Chairman</i> )	1/1
Mr. Zhuang Yuekai (resigned on 25 August 2022)	1/1
Mr. Lin Weiguo (appointed on 25 August 2022)	N/A
Mr. Cheung Kwok Kwan, J.P. (resigned on 24 June 2022)	1/1
Mr. Lee Cheuk Yin Dannis	1/1
Mr. Li Kwok Tai James	1/1

Details of the remuneration of the Directors and the senior management of the Company by band are set out in the note 13 to the Financial Statements for the year ended 31 December 2022.

## Nomination Committee

The Nomination Committee consists of four members, namely Mr. Lin Weiguo, non-executive Director, Mr. Lee Cheuk Yin Dannis, Mr. Li Kwok Tai James and Mr. Wu Yat Wai, independent non-executive Directors. Mr. Lin Weiguo was the chairman of the Nomination Committee.

On 24 June 2022, Mr. Cheung Kwok Kwan, J.P. resigned as a member of Nomination Committee. On 25 August 2022, Mr. Zhuang Yuekai resigned as the chairman of Nomination Committee. Mr. Lin Weiguo has been appointed as the chairman of the Nomination Committee with effect from 25 August 2022.

The terms of reference of the Nomination Committee are of no less exacting terms than those set out in the CG Code. The principal duties of the Nomination Committee include reviewing the Board composition, developing the criteria for identifying and assessing the qualification of the evaluating candidates for directorship, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

# CORPORATE GOVERNANCE REPORT

In assessing the Board composition, the Nomination Committee would take into account various aspects as well as factors concerning Board diversity as set out in the Company's Board Diversity Policy. The Nomination Committee would discuss and agree on measurable objectives for achieving diversity on the Board, where necessary, and recommend them to the Board for adoption.

In identifying and selecting suitable candidates for directorships, the Nomination Committee would consider the candidate's relevant criteria as set out in the terms of reference of the Nomination Committee and Board Diversity Policy that are necessary to complement the corporate strategy and achieve Board diversity, where appropriate, before making recommendations to the Board.

During the Reporting Period, the Nomination Committee held one meeting to review the structure, size and composition of the Board and the independence of the independent non-executive Directors and to consider the qualifications of the retiring Directors standing for re-election at the annual general meeting, to review the Board Diversity Policy and Director Nomination Policy. The Nomination Committee considered that an appropriate balance of diversity perspectives of the Board is maintained and has not set any measurable objective implementing the Board diversity policy.

The attendance of the members of the Nomination Committee are as follows:

<b>Name of Members of the Nomination Committee</b>	<b>Attendance</b>
Mr. Zhuang Yuekai (resigned on 25 August 2022)	1/1
Mr. Lin Weiguo ( <i>Chairman</i> ) (appointed on 25 August 2022)	N/A
Mr. Cheung Kwok Kwan, J.P. (resigned on 24 June 2022)	1/1
Mr. Lee Cheuk Yin Dannis	1/1
Mr. Li Kwok Tai James	1/1
Mr. Wu Yat Wai	1/1

## **Board Diversity Policy**

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board and is available on the website of the Company. The Company recognizes and embraces the benefits of having a diverse Board and sees diversity at the Board level as an essential element in maintaining the Company's competitive advantage. The Board pays attention to diversity (including gender diversity) across all levels of the Group. The employee gender ratio of the Group as at 31 December 2022 is 1 male: 0.66 female. The Group is in the view that the gender ratio is relatively satisfactory.

A true diverse Board will include and make good use of differences in the talents, skills, knowledge, regional and industry experience, background, gender and other qualities of the members of the Board. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All appointments of the members of Board are made on merit, in consideration of the talents, skills and experience the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the composition of the Board and makes recommendations on any proposed changes to the Board to complement the corporate strategy of the Company. In reviewing and assessing the composition of the Board, the Nomination Committee will consider the benefits of all aspects of diversity, including without limitation, those described above, in order to maintain an appropriate range and balance of talents, skills, knowledge, experience and background on the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.



# CORPORATE GOVERNANCE REPORT

At present, the Nomination Committee considered that the Board composition is in line with the Board Diversity Policy and the Board has not set any measurable objectives.

The Nomination Committee will review the Board Diversity Policy, as appropriate, to ensure its effectiveness.

The criteria for the Nomination Committee to select and recommend a candidate for directorship include the age, gender, skill, knowledge, experience, integrity and potential contributions to the Board in respect of available time and relevant interest to discharge duties as a member of the Board and whether he/she can demonstrate a standard of competence commensurate with his/her position as a Director. The recommendations were made into consideration composition of the Board and the Board Diversity Policy, with due regard to the overall effective function of the Board as a whole. Relevant members of the Nomination Committee have to abstain from voting when their own nomination was being considered.

## **Director Nomination Policy**

The Board has delegated its responsibilities and authority for selection and appointment of Directors to the Nomination Committee of the Company.

The Company has adopted a Director Nomination Policy which sets out the selection criteria and process and the Board succession planning considerations in relation to nomination and appointment of Directors and aims to ensure that the Board has a balance of skills, experience and diversity of perspectives appropriate to the Company and the continuity of the Board and appropriate leadership at Board level.

The Director Nomination Policy sets out the factors for assessing the suitability and the potential contribution to the Board of a proposed candidate, including but not limited to the following:

- Character and integrity;
- Qualifications including professional qualifications, skills, knowledge and experience that are relevant to the Company's business and corporate strategy;
- Diversity in all aspects, including but not limited to gender, age (18 years or above), cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service;
- Requirements of Independent Non-executive Directors on the Board and independence of the proposed independent non-executive directors in accordance with the Listing Rules; and
- Commitment in respect of available time and relevant interest to discharge duties as a member of the Board and/or Board committee(s) of the Company.

# CORPORATE GOVERNANCE REPORT

The Director Nomination Policy also sets out the procedures for the selection and appointment of new Directors and re-election of Directors at general meetings as below:

*(i) Appointment of New Director*

- The Nomination Committee and/or the Board should, upon receipt of the proposal on appointment of new director and the biographical information (or relevant details) of the candidate, evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.
- If the process yields one or more desirable candidates, the Nomination Committee and/or the Board should rank them by order of preference based on the needs of the Company and reference check of each candidate (where applicable).
- The Nomination Committee should then recommend to the Board to appoint the appropriate candidate for directorship, as applicable.
- For any person that is nominated by a shareholder for election as a director at the general meeting of the Company, the Nomination Committee and/or the Board should evaluate such candidate based on the criteria as set out above to determine whether such candidate is qualified for directorship.

Where appropriate, the Nomination Committee and/or the Board should make recommendation to shareholders in respect of the proposed election of director at the general meeting.

*(ii) Re-election of Director at General Meeting*

- The Nomination Committee and/or the Board should review the overall contribution and service to the Company of the retiring director and the level of participation and performance on the Board.
- The Nomination Committee and/or the Board should also review and determine whether the retiring director continues to meet the criteria as set out above.
- The Nomination Committee and/or the Board should then make recommendation to shareholders in respect of the proposed re-election of director at the general meeting.

Where the board proposes a resolution to elect or re-elect a candidate as director at the general meeting, the relevant information of the candidate will be disclosed in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting in accordance with the Listing Rules and/or applicable laws and regulations.

The Nomination Committee will review the Director Nomination Policy, as appropriate, to ensure its effectiveness.

# CORPORATE GOVERNANCE REPORT

## Corporate Governance Functions

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code.

During the Reporting Period, the Board had reviewed the Company's corporate governance policies and practices, training and CPD of Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance of the Model Code and Written Employee Guidelines, and the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

## RISK MANAGEMENT AND INTERNAL CONTROLS

The Board acknowledges its responsibility for the risk management and internal control systems and reviewing their effectiveness. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

The Company has developed and adopted various risk management procedures and guidelines with defined authority for implementation by key business processes and office functions, including risk identification, risk analysis, risk response, risk monitoring and risk reporting processes.

The objectives of the Company's risk management systems are to ensure that the Company operates and effective risk management system, to introduce the established risk management policy into the daily operations of the Company's business units, to cultivate and encourage awareness of risk management within the Group and to measure different risks, to monitor and control risks effectively and to ensure effective mitigation of risks, and the reduction of impact of risks.

The Company encourages its employees to adopt a proactive risk management approach to further strengthen the Group's risk awareness culture. The risk management system is incorporated into the business processes of our business units within the Group in order to mitigate the impact of risks with effective risk management policies. Evaluation has been conducted at least annually to confirm that risk management procedures and control policies are properly complied with. The Company also has engaged external professional firm for performing independent review of the adequacy and effectiveness of the risk management and internal control systems.

The Company has an internal audit function to focus on the adequacy and effectiveness of its risk management and internal control systems.

The management assessed the likelihood of risk occurrence, provided treatment plans, and monitored the risk management progress, and reported to the Audit Committee and the Board on all findings and the effectiveness of the systems. The management has confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems for the year ended 31 December 2022.

# CORPORATE GOVERNANCE REPORT

The Board, as supported by the Audit Committee as well as the management, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate. The annual review also covered the financial reporting and internal audit function and staff qualifications, experiences and relevant resources.

The Company has in place the Whistleblowing Policy for employees of the Company and those who deal with the Company to raise concerns, in confidence and anonymity, with the Audit Committee about possible improprieties in any matters related to the Company.

The Company has also in place the Anti-Corruption Policy to safeguard against corruption and bribery within the Company. The Company has an internal reporting channel that is open and available for employees of the Company to report any suspected corruption and bribery. Employees can also make anonymous reports to the internal audit function, which is responsible for investigating the reported incidents and taking appropriate measures. The Company continues to carry out anti-corruption and anti-bribery activities to cultivate a culture of integrity, and actively organizes anti-corruption training and inspections to ensure the effectiveness of anti-corruption and anti-bribery.

The Company has taken various measures in respect of integrity. On one hand, the Group have formulated rules and systems to strengthen the integrity construction of party building. The Group has signed the Letter of Responsibility for Integrity Construction with the subordinate units at all level, and the Integrity and Self-discipline Commitment with cadres at each level and cost procurement staff, requiring cadres at all level to take the lead in adhering to “double duty for one post”, to consciously formed and normalized the awareness of responsibility by strict requirement, management and supervision. Secondly, to clarify the red line, the bottom line and the requirements of integrity and self-discipline as well as to strongly promote them within the system; to strengthen the education work for cadre in terms of integrity and self-discipline, to do well in the cadre pre-appointment education of integrity, to educate and warn them by cases around, and to strengthen the bottom line requirements of integrity and self-discipline among the cadre staff of the Company and build a sense of integrity through various education forms such as watching videos about integrity, learning knowledge of integrity and taking tests. On the other hand, the Group enhanced the construction of information for business processes and standardization in order to standardize the operation of various businesses, and further improve the prevention and control of integrity risks.

The Company has developed its disclosure policy which provides a general guide to the Company’s Directors, officers, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries.

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

## **DIRECTORS’ RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS**

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

The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company’s ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors’ Report on pages 140 to 144.

# CORPORATE GOVERNANCE REPORT

## AUDITOR'S REMUNERATION

The remuneration paid and payable to the Company's external auditor in respect of audit services and non-audit services for the year ended 31 December 2022 amounted to approximately HK\$70,000 and HK\$1,210,000 respectively.

An analysis of the remuneration paid and payable to the external auditor of the Company, Grant Thornton Hong Kong Limited, in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

<b>Service Category</b>	<b>Fees Paid/Payable</b>
Audit Services	0/HK\$1,150,000
Non-audit Services	
— Due Diligence in respect of risk management review and internal control review services (Paid to Grant Thornton Advisory Services Limited)	HK\$70,000/HK\$60,000
	HK\$70,000/HK\$1,210,000

## COMPANY SECRETARY

On 9 September 2022, Ms. Leung Ching Ching resigned as company secretary of the Company and Ms. Kam Mei Ha Wendy was appointed to fill the vacancy left by Ms. Leung Ching Ching. Ms. Kam Mei Ha Wendy is an executive director of the Corporate Services Division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Luo Yi, the chief financial officer of the Company, has been designated as the primary contact person at the Company which would work and communicate with Ms. Kam Mei Ha Wendy on the Company's corporate governance and secretarial and administrative matters.

For the year ended 31 December 2022, Ms. Kam Mei Ha Wendy has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

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

# CORPORATE GOVERNANCE REPORT

## **Convening an Extraordinary General Meeting**

Shareholders are encouraged to attend all general meetings of the Company. According to Article 10.3 of the Articles of Association, the Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any member(s) of the Company deposited at the principal place of business of the Company in Hong Kong or, in the event the Company ceases to have such a principal place of business, the registered office specifying the objects of the meeting and signed by the requisitioner(s), provided that such requisitioner(s) held as at the date of deposit of the requisition not less than one-tenth of the number of issued shares in the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitioner(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board, provided that any meeting so convened shall not be held after the expiration of three (3) months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitioner(s) as a result of the failure of the Board shall be reimbursed to them by the Company.

The Company's Principal Place of Business in Hong Kong located at Room 3517, 35/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong.

## **Putting Forward Proposals at General Meetings**

There are no provisions allowing Shareholders to put forward new resolutions at the general meetings of the Company under the Articles of Association. However, Shareholders who wish to put forward proposal at general meetings of the Company may make a requisition to convene an extraordinary general meeting following the procedures set out above.

## **Putting Forward Enquiries to the Board**

For putting forward any enquiries to the Board of the Company, Shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

## **Contact Details**

Shareholders may send their enquiries or requests as mentioned above to the following:

Address: Room 3517, 35/F, Wu Chung House, 213 Queen's Road East, Wan Chai, Hong Kong  
(For the attention of the Board of Directors)  
Fax: (852) 2525 7890  
Tel: (852) 2525 7922

For the avoidance of doubt, Shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. Shareholders' information may be disclosed as required by law.

# CORPORATE GOVERNANCE REPORT

## **Procedures for Shareholders to propose a person for election as a Director**

The following procedures are subject to the Articles of Association and the applicable legislation and regulations.

If a shareholder (other than the person to be proposed), who is duly qualified to attend and vote at the general meeting of the Company, wishes to propose a person for election as a Director at that general meeting, he/she/it can deposit a written notice at either of the following addresses:

### *Headquarters of the Company in the PRC*

Unit 703, 7th Floor  
C&D International Building  
No. 1699 Huandao East Road  
Xiamen, PRC

### *Hong Kong branch share registrar and transfer office of the Company*

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

In order for the Company to inform all Shareholders of that proposal, the written notice must state the full name of the person proposed for election as a Director, his/her biographical details as required by Rule 13.51(2) of the Listing Rules, and be signed by the shareholder concerned together with a written notice of the person proposed for election as a Director indicating his/her willingness to be elected and consent to the publication of his/her personal information.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on-going dialogue with shareholders and in particular, through annual general meetings and other general meetings. At the annual general meetings, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

### **Policies relating to Shareholders**

The Company has in place a Shareholders Communication Policy. The policy aims at promoting effective communication with Shareholders and other stakeholders, encouraging Shareholders to engage actively with the Company and enabling Shareholders to exercise their rights as Shareholders effectively. The policy is regularly reviewed to ensure its effectiveness. The Company reviewed communication activities with Shareholders in 2022 and was satisfied with the implementation and effectiveness of the Shareholders' Communication Policy which allowed Shareholders to engage actively with the Company.

The Company has adopted a Dividend Policy on payment of dividends. The Company do not have any pre-determined dividend payout ratio. Depending on the financial conditions of the Company and the Group and the conditions and factors as set out in the Dividend Policy, dividends may be proposed and/or declared by the Board during a financial year and any final dividend for a financial year will be subject to the Shareholders' approval. Such details have been disclosed in this annual report.

## **CONSTITUTIONAL DOCUMENTS**

There was no change to the Company's Articles of Association during the Reporting Period. An up to date version of the Company's Articles of Association is available on the Company's website and the Stock Exchange's website.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 1. ABOUT THE ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 1. Introduction to the Report

This report is the third Environmental, Social and Governance Report (Environment, social and Governance, hereinafter referred to as “ESG”) published by the Group. The Report aims to provide stakeholders with a full picture of the Group’s philosophy, management, actions and effectiveness in ESG in 2022. The Board of Directors of the Group is responsible for monitoring the content of the report and ensuring that it does not contain false entries, misleading statements or material omissions.

### 2. Scope and Boundary of the Report

The Report covers the business of property management services, community value-added and synergy services and value-added services to non-residents and other services of the Group from 1 January 2022 to 31 December 2022. For details of the Group’s business strategies, operations and financial performance, please refer to the 2022 Annual Report of the Group.

### 3. Preparation Basis of the Report

This report has complied with all the “comply or explain” provisions set out in Appendix 27 Environmental, Social and Governance Reporting Guide (the “ESG Reporting Guide”) under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited issued by The Stock Exchange of Hong Kong Limited (the “Hong Kong Stock Exchange”). The content index of the ESG Reporting Guide is set out in Appendix 3 of this report for quick search.

This report follows the four reporting principles of materiality, quantitative, consistency and balance as mentioned in the ESG Reporting Guide, striving to fully manifest the management and achievements of the Group on the aspect of ESG. The Report responds to the principle of “Materiality” through the analysis and evaluation of material issues; responds to the principle of “Quantitative” with the list of quantitative data; and ensures that the disclosure scope and reporting methods of the Report are generally consistent every year to respond to the principle of “Consistency”, so as to ensure that historical data has good comparability; meanwhile, responds to the principle of “Balance” through the review of negative issues and poor performance.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

**4. Source of reporting information and data**

The information disclosed in the Report is derived from official documents, reports or relevant public information of the Group. All data used in the Report are from the relevant functional departments of the Company and its selected subsidiaries. Unless otherwise stated, all data in this report are denominated in RMB.

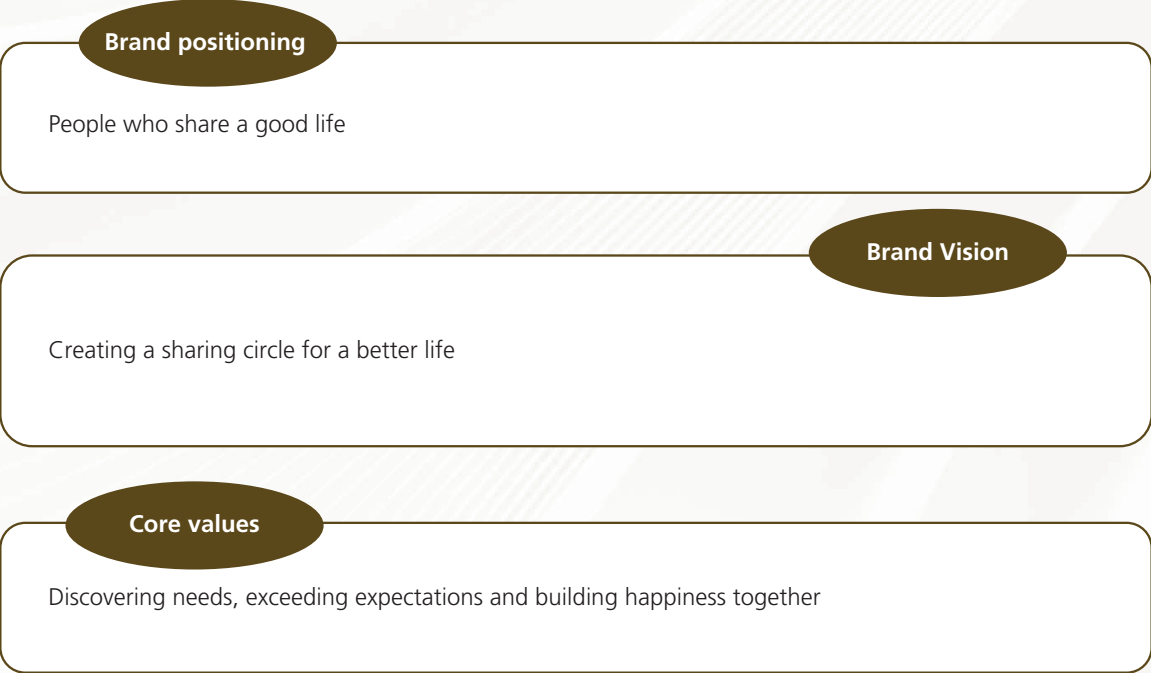
**5. Publication method of the Report**

This report is available in both Chinese and English and published in electronic version. In case of any discrepancy between the Chinese and English versions, the Chinese version shall prevail. The electronic version of the Report is available on the official website of the Group (<http://www.cndservice.com>) or the website of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)).

## 2. CONCEPT AND GOVERNANCE OF SUSTAINABLE DEVELOPMENT

**1. Concept of Sustainable Development**

The Group always implements the concept of sustainable development and regards economic development, social harmony and environmental sustainability as important reference indicators for corporate development. In daily business decision-making, we actively integrate the concept of sustainable development and put it into practice, and continue to provide shareholders, owners, employees, suppliers and the environment value creation.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Sustainability Management

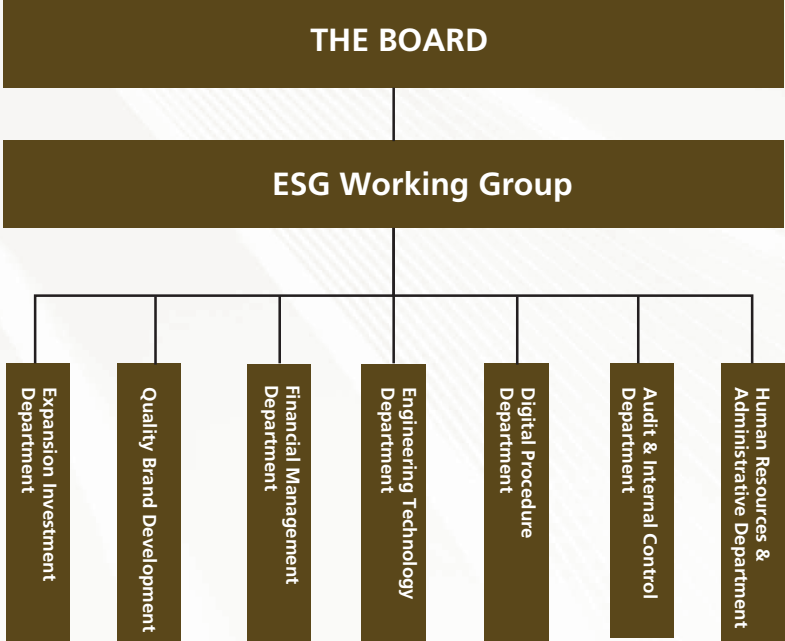
The Group attaches great importance to ESG management and is well aware of the potential impact of service quality improvement, employment management, environmental impact management and other matters on the Group's financial performance and sustainable development. The Group has established a multi-level ESG governance structure with the Board as the core, and clarified its responsibilities and authorities in decision-making, execution, supervision and other aspects.

The Board, as the highest decision-making body of the ESG governance structure, the Board is fully responsible for the Group's ESG strategy and reporting, overseeing the revision and implementation of the Group's ESG-related strategies, deploying resources to ensure the effective operation of ESG risk management, and reviewing and formally approving the annual ESG report.

The Board has established an ESG Working Group and delegated the ESG Working Group to perform the ESG monitoring duties of the Board within its terms of reference, including the assessment and determination of ESG-related risks and opportunities; the formulation of the Group's ESG management policies, strategies, priorities and objectives, and the review of the Group's performance in relation to ESG-related objectives through the setting of indicators, etc. The ESG Working Group reports regularly to the Board of Directors on the progress and recommendations on the above ESG issues.

As a core member of the ESG Working Group, the head of each business unit is responsible for implementing the ESG management strategy and continuously following up on the progress of achieving the ESG management objectives.

### ESG Governance Structure



The Group has established and continuously improved its risk management and internal control system and has incorporated ESG risks into its comprehensive corporate risk management system. The Group regularly conducts risk assessment and response work, monitors the implementation of risk management policies and reports regularly to the Board on the control of material risks. For more details on risk management and internal control, please refer to the "Corporate Governance Report" of the Group.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 3. COMMUNICATION WITH STAKEHOLDERS

The Group continues to improve its communication mechanism with stakeholders such as shareholders, investors, employees, customers/residents and suppliers, and strives to create rich and flexible multi-level communication channels to ensure that the communication channels are open, transparent and effective, so as to better listen to the views and suggestions of various stakeholders and provide targeted responses.

Stakeholders	Communication Channels	Major Concerns	The Group's response
<b>Shareholders and investors</b>	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Official website of the Group</li> <li>Investor contact number</li> <li>Interviews and meetings</li> </ul>	<ul style="list-style-type: none"> <li>Financial performance</li> <li>Operational transparency</li> <li>Risk management</li> <li>Investors interest</li> </ul>	<ul style="list-style-type: none"> <li>Improve profitability</li> <li>Regular disclosure of business information</li> <li>Risk control management</li> <li>Convening General Meetings</li> </ul>
<b>Staff</b>	<ul style="list-style-type: none"> <li>Questionnaires and interviews</li> <li>Employee engagement survey</li> <li>Feedback platform</li> <li>Staff training</li> </ul>	<ul style="list-style-type: none"> <li>Career development prospects</li> <li>Remuneration and benefits</li> <li>Healthy and safe working environment</li> <li>Fair promotion and development opportunities</li> </ul>	<ul style="list-style-type: none"> <li>Building talent development channels</li> <li>Protection of competitive salaries and benefits</li> <li>Improving health and safety management system</li> <li>Employee communication and grievance mechanism</li> </ul>
<b>Customers/ property owners</b>	<ul style="list-style-type: none"> <li>Customer satisfaction questionnaire and interview</li> <li>Customer communication hotline</li> <li>Community Activities</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Customer service quality</li> <li>Customer privacy and security</li> <li>Customer rights protection</li> </ul>	<ul style="list-style-type: none"> <li>Service quality assurance</li> <li>Customer privacy protection</li> <li>Compliance marketing</li> <li>Improving customer communication mechanism</li> </ul>
<b>Suppliers</b>	<ul style="list-style-type: none"> <li>Regular assessment of suppliers</li> <li>Supplier meetings</li> <li>Supplier recruitment visits</li> <li>Supplier skills exchange/ training sessions</li> </ul>	<ul style="list-style-type: none"> <li>Honest cooperation</li> <li>Business ethics and reputation</li> <li>WIN-WIN COOPERATION</li> <li>Experience sharing</li> </ul>	<ul style="list-style-type: none"> <li>Improve supplier cooperation mechanism</li> <li>Facilitate daily communication</li> <li>Creating a Responsible Supply Chain</li> <li>Fulfillment of contracts in accordance with laws</li> </ul>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Stakeholders	Communication Channels	Major Concerns	The Group's response
<b>Partners</b>	<ul style="list-style-type: none"> <li>• Expert training</li> <li>• Online/offline communication meetings</li> <li>• Partner research</li> </ul>	<ul style="list-style-type: none"> <li>• Market collaboration</li> <li>• Resource sharing</li> <li>• Improving management effectiveness</li> </ul>	<ul style="list-style-type: none"> <li>• Establishing a resource base for market collaboration</li> <li>• Actively connect resources of the Group</li> <li>• Continuous improvement of internal management</li> </ul>
<b>Government/ Supervisory Authority</b>	<ul style="list-style-type: none"> <li>• Cooperation projects</li> <li>• Interviews</li> <li>• Tax information reporting</li> </ul>	<ul style="list-style-type: none"> <li>• Discipline and law-abiding</li> <li>• Paying taxes in accordance with the law</li> <li>• Supporting local development</li> </ul>	<ul style="list-style-type: none"> <li>• Operation in compliance with laws and regulations</li> <li>• Pay taxes in full and on time</li> <li>• Active implementation of relevant policies</li> </ul>
<b>Community/ Subdistrict Office</b>	<ul style="list-style-type: none"> <li>• Community events</li> <li>• Disclosure of public information</li> </ul>	<ul style="list-style-type: none"> <li>• Protecting the community environment</li> <li>• Promoting the community development</li> </ul>	<ul style="list-style-type: none"> <li>• Practise green operation</li> <li>• Promoting community culture</li> </ul>
<b>Public interest institutions/ organisations</b>	<ul style="list-style-type: none"> <li>• Community event</li> <li>• Press releases</li> </ul>	<ul style="list-style-type: none"> <li>• Supporting social welfare</li> <li>• Promoting social progress</li> </ul>	<ul style="list-style-type: none"> <li>• Developing welfare projects</li> <li>• Commitment to charity</li> </ul>

## 4. ESG MATERIALITY ASSESSMENT

The Group attaches importance to the assessment of material ESG issues. Through the assessment of material ESG issues, the Group understands the importance of each ESG issue to the Group's business development and the concern of stakeholders in a timely and comprehensive manner, and takes proactive measures to further promote the disclosure of ESG the Group's information and the continuous improvement of the management of related issues.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

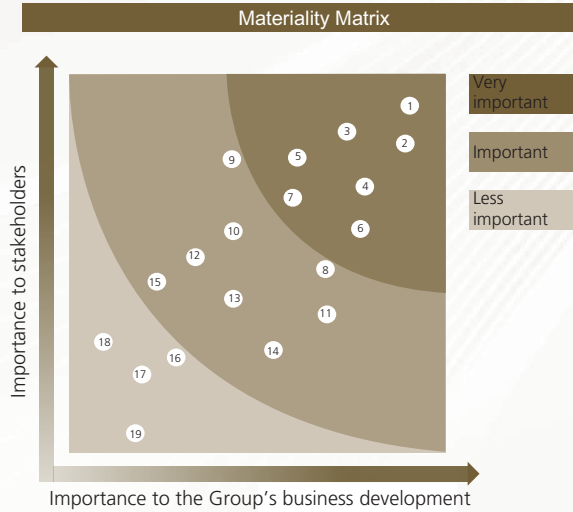
Specified procedures for materiality assessment of ESG issues during the Year were as follows:

**Step 1 ESG issues identification**  
 Identify 19 material issues in accordance with “ESG Reporting Guide” of the Hong Kong Stock Exchange in combination with the Group’s business development status, hot topics in the market and political environment.

**Step 2 Stakeholder Communication**  
 Communicate with stakeholders through various channels (such as interviews) and collect their feedback on the Group’s ESG performance in 2022 and expectations.

**Step 3 Assessment of material ESG issues**  
 The management of the Group evaluated the analysis results, ranked each material issue according to its priority, and compiled a matrix of material ESG issues.

**Step 4 Respond to material issues**  
 Confirm disclosure focus of the Report in accordance with opinion from stakeholders and results of materiality analysis and respond to the issues in the Report by the Group’s management.



Materiality	Sort by	Material issues
Very important	1	Service quality and customer satisfaction
	2	Customer health and safety
	3	Promoting smart property development
	4	Employees' health and safety
	5	Employees' recruitment and career advancement
	6	Establishing a culture of integrity
	7	Employees' training and development
Important	8	Customer privacy and information security
	9	Employees' rights and care
	10	Resource and energy efficiency
	11	Green office and promotion for environmental protection
	12	Diversity and equal opportunities
	13	Response to climate change
	14	Supply chain environment and social risk management
	15	Waste water and waste management
Less important	16	Waste and greenhouse gas emissions management
	17	Promoting community development
	18	Reasonable marketing and promotion
	19	Intellectual property maintenance and protection

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The results of this year's materiality assessment showed that the key concerns of stakeholders still mainly focused on service quality and customer satisfaction, promotion of smart property development, customer health and safety, employee recruitment and promotion, etc. The Group attaches great importance to the impact of business activities and business relationships on the economy, society and environment, and actively listens to the opinions of stakeholders. We will focus on the disclosure of relevant issues in this report to respond to the demands of all parties, and use the results of the ESG materiality assessment as an important reference for the Group's sustainable development plan in the coming year.

## 5. INGENIOUS TO CREATE QUALITY LIFE

With "courtesy" as the core, the Group adheres to the corporate mission of "developing new value of service, making life better" and sticks to the philosophy of "quality first, customer first", striving to provide the ultimate service experience for residents. The Group strictly complied with the requirements of laws and regulations including the Law of the People's Republic of China on Product Quality, Law of the People's Republic of China on Urban Real Estate Management and Property Management Regulations in our daily operation and management, continuously improve the service quality system and pays attention to service care. The Group continued to promote the transformation of intelligent and information-based properties, and expanded diversified community value-added and collaborative businesses to promote the upgrading of service quality with professional capabilities. At the same time, the Group fully protects the rights and interests of customers, attaches importance to the health, safety and privacy protection of property owners, listens to the voice of property owners, and is committed to providing comprehensive, convenient, reliable and trustworthy services. In addition, the Group has actively taken various measures to protect intellectual property rights, safeguard the intellectual property rights of the Group and other parties, and promote the healthy development of the property industry.

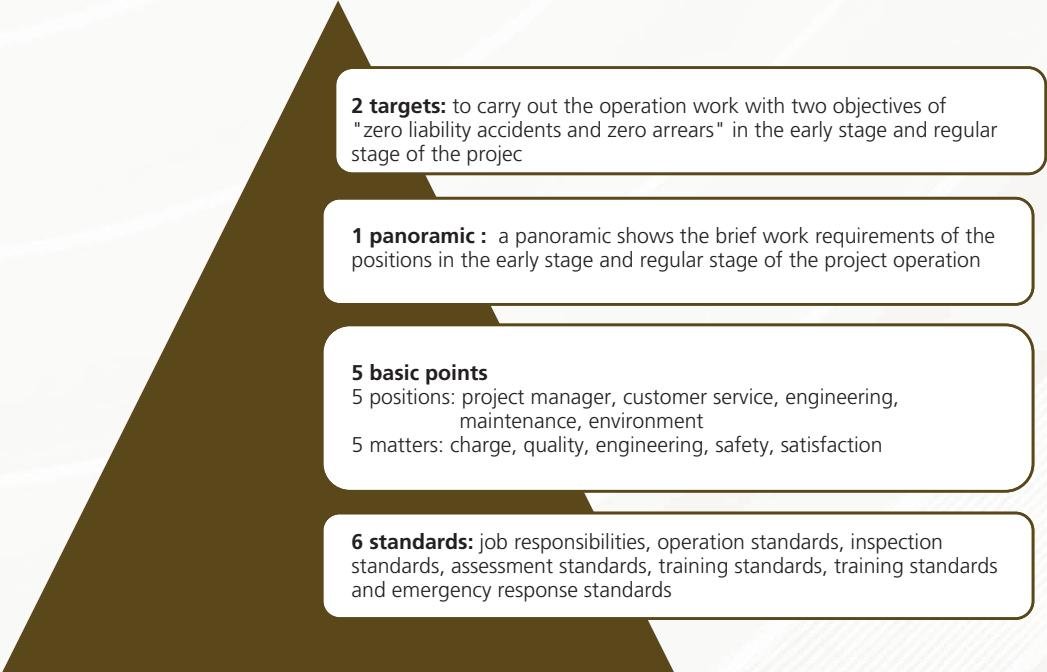
### 1. Adhering to service quality

The Group adheres to the concept of "ingenious service" and "quality life", and provides customers with all-round and ultimate service experience through improving the service quality system, deepening quality inspection, empowering professional training, and optimising customer care.

#### *Service system construction*

The Group continues to improve the service quality management system and strives to create more applicable, clear and convenient service management standards. We have formulated and implemented internal systems such as the Guidance Manual for the Full Cycle of Property Project Operation and the Property Project Operation System, and established a full-cycle project operation system. The system covers the requirements, key tasks, work standards and operation manuals of each stage of the full-cycle operation of the project, including 2 targets, 1 panoramic, 5 basic points and 6 standards (referred to as "2156"), and clarifies the key nodes and management requirements of the project in the full-cycle operation of the property and the standardised project operation process to ensure the efficiency and quality of property services. In addition, we focus on developing position empowerment tools, sorting out important work content and requirements according to project operation objectives and operation stages, and forming position guidance documents and tool diagrams, so front-line grass-roots employees can quickly learn and master service methods and skills, and urge employees in key positions to provide customers with more meticulous and thoughtful services.

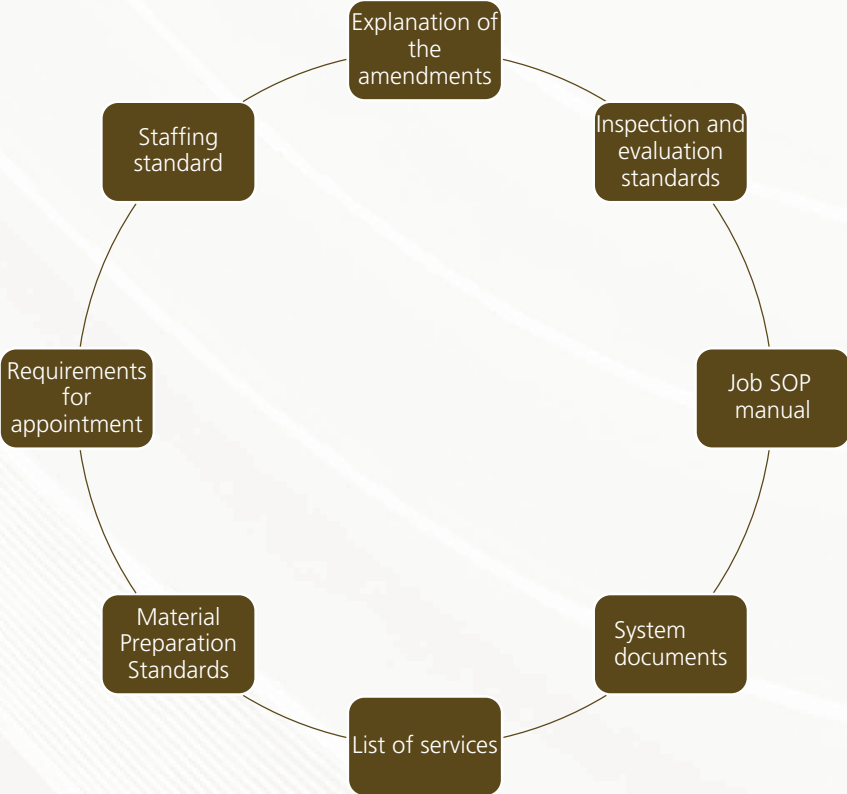
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



*Full cycle project operation system*

At the same time, the Group continued to deepen the construction of the service classification system, actively implemented and reviewed pilot projects of various service levels, and continuously optimised the service classification system and standards from eight aspects. In order to ensure the implementation of classification standards, we strive to create benchmark projects, ensure the smooth operation of pilot benchmark projects through standard training, programme implementation and implementation tracking, and gradually promote the successful experience of pilot projects to other projects. In addition, we plan to launch an annual update plan for the service plan to fully implement service standards and details by service classification, with an aim to create service content with consistent quality and price.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



*Eight aspects of services grading system construction*

During the Year, the Group accelerated the construction of an ecological closed loop of urban integrated services, actively expanded the layout of new business types and services in industrial parks, hospitals, schools and other public sectors, and supplemented a professional and segmented business service standard system. The system covers specific rules such as job responsibilities and operation standards, inspection and evaluation standards, aiming to comprehensively improve the service quality control of new business.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

As of 31 December 2022, the Group’s property management portfolio covered 60 cities across 16 provinces, municipalities and autonomous regions in China, with 584 contracted projects, with contracted gross floor area of approximately 90.6 million sq.m. and gross floor area under management of approximately 46.2 million sq.m., providing quality community services to over 280,000 property units, including property management services, community value-added and synergy services, value-added services to non-property owners, etc.. The Group has obtained the first-class qualification in property management and has obtained certifications such as ISO 9001 Quality Management System, ISO 14001 Environmental Management System and ISO 45001 Occupational Health and Safety Management System. During the Year, the Group was ranked 30th among the 2022 Top 100 Property Management Companies in China, 29th among the 2022 Top 100 Property Management Companies, 2022 School Property Management Services TOP10, 2022 Leading Residential Property Management Companies in China, 2022 Leading Office Property Management Companies in China and other honours, which demonstrated the market’s full recognition of the Group’s property management services.



ISO 9001 Quality Management System



ISO 14001 Environmental Management System

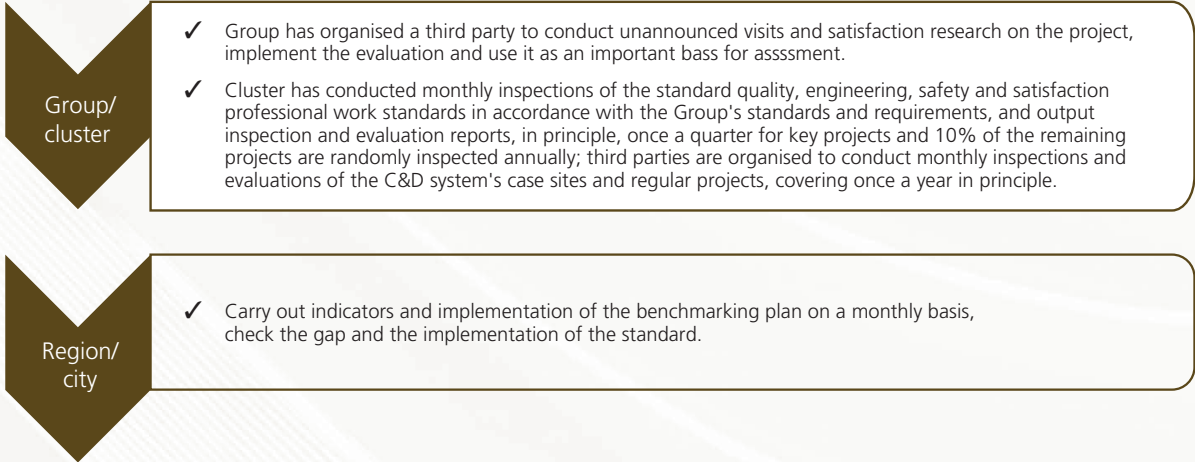


ISO 45001 Occupational Health and Safety Management System

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Service quality control inspection mechanism*

The Group has established a quality control and inspection mechanism based on the dimensions of "group/cluster" and "region/city" to conduct regular inspections of projects and ensure the quality of services through hierarchical monitoring and assessment in order to ensure our service quality.



*Standardised quality inspection mechanism*

In addition, we carry out on-site unannounced inspection on six modules of the project, namely greening and maintenance, public perception, finished product protection, security facilities, fire safety and elevator, and actively take measures to follow up the implementation of inspection results to ensure the quality of property services in an all-round way. As of 31 December 2022, the Group has completed the unannounced inspection of 131 self-owned projects and 78 external projects, and the flight inspection of 80 projects.

*Professional Training Empowerment*

The Group attaches great importance to the skills improvement of property service personnel, and actively builds a modular communication mechanism through providing training on service system, brand standard interpretation, service plan introduction, etc., so as to optimize and upgrade the service level with professional skills.

**Case: Service Skills Course Training**

In September 2022, the Group organised service skills training through both online and offline channels. A total of 98 people from the quality line functional departments and project managers in 19 regions participated in the training. The training covered all aspects of service management, including satisfaction review, satisfaction and excellent practises of unannounced visit, service classification introduction, project operation system interpretation, existing information tools sorting, brand importance publicity, etc. The passing rate of the training assessment reached 100%, which effectively improved the brand awareness and skills of property service personnel.



*Service skills training*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Customer Care

In order to improve service quality and customer satisfaction, the Group continues to pay attention to customer care. We actively provide the most urgent assistance to the elderly and children, and are committed to creating a warm, comfortable, humanistic and living community environment.

### Case: Carefully help the elderly who are unwell and serve their families with care

In June 2022, the central control room of the property managed by the Group in Yongtai Shanwaishan Community, Fuzhou received an emergency call where an elderly needed support due to physical discomfort. After the project manager arrived at the scene, the project manager immediately called 120 emergency calls. However, due to traffic congestion, the project manager immediately sent the elderly to the hospital with private car, registered medical treatment for the elderly and, accompanied the elderly to conduct a series of examination until the family members arrived. In November 2022, the elderly recovered and was discharged from hospital, and their families came to the service centre to express their gratitude to the project manager.



Family members presented a banner to project manager



Project manager accompanying the elderly

### Case: Warm companionship, Touching People's Heart

In August 2022, the project manager of Xiamen C&D Central Sky Residence managed by the Group discovered that a 3-year-old girl was crying alone when she was off duty. The little girl could not accurately tell her family addresses, parents' names or other information, the project manager accompanied her to wait for half an hour, and brought the children back to the central control room, and called 110 promptly. At the same time, the project manager inquired about each household in the surrounding residential buildings, and issued a notice of missing person in the owner's group, and finally contacted the parents of the child and safely returned the child to her families. The story of the project manager accompanying and helping a child to return home was spread rapidly among the owners, and won unanimous praise from the owners.



Project manager accompanying a child who was lost

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Building smart properties

With the upgrade and iteration of mobile Internet technology, the pace of informatization and intelligent transformation of the property industry needs to be continuously accelerated. The Group attaches great importance to the integration of information technology and property services, actively introduces smart robots, continuously improves the construction of community brain platform and “Smart Life” one-stop community service platform, and strives to create a smart and convenient smart community ecosystem.

### Community Brain Platform

During the Year, the Group actively expanded the application scenarios of the community brain platform, integrating multi-dimensional and multi-level management platforms such as smart travel, smart elevators, smart access control, smart videos, smart car travel, smart water supply and drainage, smart fire protection, smart inspection, community asset management, and community operation management, to achieve the online, visualised, data-based and intelligent standardised management and operation management system of community projects, and form the digital and intelligent operation of “people, enterprise, matters, and assets”, and focus on improving service experience.

- Smart elevator**
  - Through AI and other technologies, the elevator temperature can be controlled remotely in the machine room, and the risks of electric vehicles entering the elevator, blocking the elevator for a long time and elevator pit flooding can be automatically warned, and the property management will be informed of relevant incidents in a timely manner to avoid potential safety hazards and ensure the safety of owners' elevators.
- Smart Access Control**
  - The Group provides efficient and convenient access control services on the premise of protecting the privacy information of property owners through various methods of door opening such as face recognition opening, mobile QR code opening, remote one-click opening and regular access card opening.
- Smart Video**
  - The introduction of an intelligent cloud video monitoring system can conduct AI analysis and early warning on personnel departure, personnel gathering, lane occupancy and other behaviours, so as to facilitate the timely detection and handling of potential safety hazards of projects, realise online monitoring, centralised management, unified supervision, and effectively improve the safety performance of the community.
- Intelligent car travel**
  - The Company realised the connexion between the Tianqi platform and the intelligent parking system, visualised the traffic volume of the parking lot, the information on the payment of parking fees, the detailed breakdown of the on-site vehicles, and provided a comprehensive, financial, engineering and other detailed analysis accordingly to achieve unified management of vehicles, and provided owners with safe and convenient parking services by intelligent means.
- Smart water supply and drainage**
  - Real-time data such as operating status, fault status, power state, manual and automatic status, pipe network pressure, temperature and humidity value of domestic water pumps are monitored, and early warning thresholds are set to deal with abnormal situations in a timely manner to ensure the normal operation of facilities and equipment.
- Intelligent Fire Protection**
  - The pressure value of the pipe network at the most unfavorable point at the end of the fire roof is monitored in real time, and sent warnings on fire alarm and fault signals at the fire station such as the temperature, smoke detection and manual alarm of the fire main unit, so as to achieve remote and multi-level fire management and ensure fire safety with intelligent means.

Community Brain Platform (partial display)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Smart robot

The Group actively introduced intelligent robots such as aroma robots, tour guide robots, temperature measurement robots and cleaning robots to assist property service personnel, effectively improving the efficiency and quality of property services.



*Aroma robot uses ultrasonic atomization technology to diffuse and spray fragrance at scheduled time and location*



*Tour guide robot uses voice instructions and touch panel to realise intelligent guidance to avoid obstacles*



*Temperature measurement robot uses infrared rapid sensing technology for temperature measurement and recognizes whether the person is wearing a mask.*



*Cleaning robot self-completes charging, water supply and drainage circulation and efficiently executes floor washing task*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## “Smart Living” One-stop Community Service Platform

In order to improve the level of smart services, the Group continues to optimize the “Smart Life” one-stop community service platform, committed to creating an information platform that integrates convenient basic property services, neighborhood communication and other value-added services, so as to meet the continuously upgraded living service needs of users and achieve full coverage of smart communities.

- Lifestyle services**
  - All functions including notifications, maintenance requests, complaints, compliments, housekeeping, decoration, real estate agency, and online payment are included, delving deep into every aspect of life to allow property owners to experience intimate property services without leaving their homes.
- Online customer service**
  - Through instant contact with the exclusive housekeeper through APP, the housekeeper will follow up and coordinate the whole process until the problem is solved, creating a new experience for customers.
- Mobile phone opening**
  - The opening function of mobile phone saves the time for entering and exiting with access card, while providing a convenient visitor code function, saving the step of checking the information at the visitor gate and improving efficiency.
- Neighbourhood social networking**
  - We built a platform integrating learning, communication and living services for property owners online and offline, and built a new neighbour relationship with love, sharing and common growth through online and offline interaction and cooperation, which further enhances property owners’ happiness and social premiums.

“Smart Life” Partial Functions



“Smart Life” mobile App interface

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3. Deepening Diversified Businesses

While striving to provide high-quality property services, the Group always focuses on the needs of property owners and provides comprehensive community value-added and synergy services, so as to create a sound community service ecosystem and make the community life of customers more convenient and better. The Group’s community value-added and synergy services mainly include home living services, real estate brokerage and asset management services, value-added services for public areas, home beauty services, smart community services, and elderly-care & health value-added services, covering various categories such as living services, space services and asset services.

<ul style="list-style-type: none"> <li>Housekeeping and cleaning services, repair and maintenance services and community group purchase services.</li> </ul> <p><b>Home living services</b></p> 	<ul style="list-style-type: none"> <li>Services such as real estate agency services in the primary market, leasing of second-hand properties, shops and parking spaces, and sales of unsold parking spaces.</li> </ul> <p><b>Real estate brokerage and asset management services</b></p> 	<ul style="list-style-type: none"> <li>Leasing of common areas and advertising spaces.</li> </ul> <p><b>Value-added services for public areas</b></p> 
<ul style="list-style-type: none"> <li>Turn-key move-in services, supplemented by one-stop home beauty solutions such as overall design, interior decoration and home appliance installation.</li> </ul> <p><b>Home beauty services</b></p> 	<ul style="list-style-type: none"> <li>Design and build services for smart property management services and the operation of our mobile application “Smart Living”.</li> </ul> <p><b>Smart community services</b></p> 	<ul style="list-style-type: none"> <li>Providing community elderly care services including meals, hygiene, daily life assistance, health management, social and entertainment activities and other services for the elderly.</li> </ul> <p><b>Elderly-care &amp; health value-added services</b></p> 

#### Community Value-added and Synergy Services

During the Year, the Group focused on expanding the home-based business, providing property owners with a series of home-based services such as daily cleaning, in-depth cleaning, home appliance cleaning, Japanese-style storage, moving services, nanny referral and home decoration services, striving to cover all aspects of property owners, and continuously providing property owners with high-quality, high-standard and diversified value-added services. At the same time, we continued to optimise the “C&D Property Zhenxuan\* (建發物業臻選)” online shopping mall, providing a purchasing channel for daily necessities and services for community residents and corporate customers, and creating a convenient life service circle in all aspects.

## Case: C&D Home Decoration Services

C&D Home Decoration Services are provided by C&D Property Home Furnishing Centre to property owners. Home decoration centre provides property owners with a series of services such as house decoration, home building materials, furniture and home appliances, intelligent equipment, soft decoration accessories, and customised fine decoration, Jianfa Home Decoration Services are provided by C&D Property Service's Meiju Center, which offers a range of services, including house decoration, home building materials, furniture and appliances, smart devices, soft decorations, custom-made finishes, and more, allowing property owners to solve home decoration problems in a "one-stop" manner and quickly move into their new homes, experiencing efficient and convenient home decoration services.



Home decoration services

## Case: C&D Property Zhenxuan\* (建發物業臻選)

C&D Property Zhenxuan\* (建發物業臻選) is a chain store operated and managed by the Group's headquarters and regional branches. It focuses on regional micro-store management and provides high-quality goods and services to community residents and corporate customers. C&D Property Zhenxuan\* (建發物業臻選) sells and promotes through APP, WeChat Mall, WeChat official account, mini programme and other methods to meet the needs of multi-channel purchases. As of 31 December 2022, the stores covered 20 regions, with daily average visitors exceeding 572 person, and daily page visits reaching nearly 1,298 times, and cumulative customer base of 101,000 people. The monthly turnover exceeding RMB166,900, the benefits of which were significant and well received by many parties.



Interface of C&D Property Zhenxuan\* (建發物業臻選)



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. Protection of customer rights

The Group strictly abides by the Law of the People's Republic of China on the Protection of Consumer Rights and Interests, the Cyber Security Law of the People's Republic of China, the Advertisement Law of the People's Republic of China and other laws and regulations. Through various measures such as strengthening community security management and control, implementing COVID-19 epidemic prevention and control, responding to customer demands in a timely manner, improving information security and privacy protection systems, and complying with integrity marketing principles, the Group strives to protect customers' rights and interests in health and safety, privacy information security, and right to know, and continuously improves customer satisfaction.

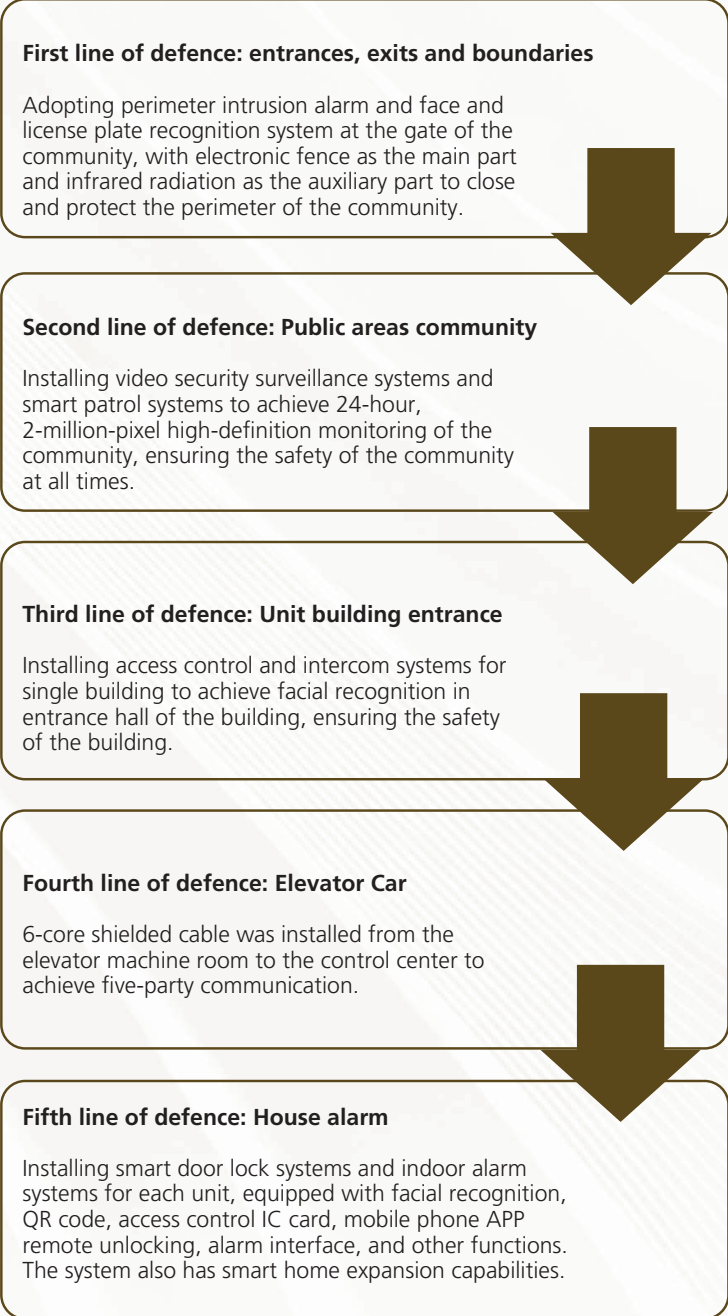
### *Property owner health and safety*

The Group continues to improve the community safety system and upgrade intelligent security measures to fully safeguard the health and safety of property owners. At the same time, the Group actively cooperated with the government to implement the epidemic prevention policy, and made every effort to ensure the supply of materials for property owners, striving to create a safe community environment.

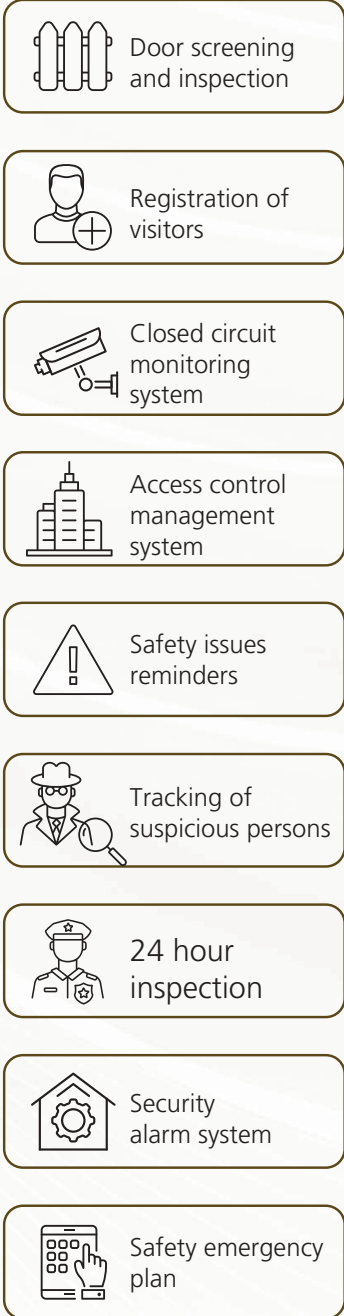
### a) Community safety control

The Group has formulated and implemented internal systems such as the Investigation System for Hidden Dangers in Public Areas of C&D Property and the Red and Yellow Card System for Supervision of Safety Bottom Line of C&D Property Group, which clearly stipulates the investigation, determination and supervision of project safety issues to regulate community safety management. At the same time, relying on intelligent technology, the Group built the "five lines of defence" for intelligent household security system, and continued to improve the community's "nine-emphasis prevention" safety responsibility system to comprehensively ensure the safety of property owners.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



*"Five Lines of Defence"  
of the smart household security system*



*"Nine emphasis on prevention"  
safety responsibility system*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group regularly carries out inspections on fire safety, elevator safety, swimming pool safety, waterscape safety, fall-prevention facilities (including children's playground facilities) safety and other projects and hidden dangers of facilities to ensure the safe operation of community infrastructure in an all-round way. At the same time, we actively organise safety training and assessment to ensure that the project manager hold the relevant certifications. We also carry out on-site safety education to inform employees of the hazardous factors, preventive measures and emergency measures existing at the work sites and positions, and ensure that safety training covers all members and processes of the project, so as to avoid the lack of safety education and effectively protect the safety of property owners.

In addition, the Group formulates annual production safety plans, conducts regular safety management inspections, follows up and rectifies the problems found in a timely manner, and establishes a reward and punishment mechanism to link the inspection and rectification results with the performance assessment of project leaders, so as to strengthen the safety management responsibilities at all levels.

## Case: Technical Training and Practical Exercise in Sichuan and Chongqing Areas

During the Year, the Group organised practical skills trainings and drills in the Sichuan and Chongqing areas. Through the explanation of the physical diagrams of the system, the electrician training platform, the fire protection system and the intelligent system, the practical skills and maintenance level of engineering personnel were improved in a practical and theoretical manner, achieving "one specialty and multiple capabilities" in the professional skills of employees, improving the professional level of reserve talents, and providing owners with a solution to deal with on-site problems more quickly, efficiently and orderly.



*Skill training and practical exercises*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## b) COVID-19 Prevention and Control

In 2022, the COVID-19 epidemic continued to show a trend of multi-point spread and local gathering. The Group actively responded to the local epidemic prevention and control requirements and persisted in implementing normalised epidemic prevention policies. For areas with local outbreaks, we timely launched emergency measures for epidemic prevention and control, including posting venue codes on the main passageway of the property/community, inspecting three codes for personnel entering the community, timely updating the government's epidemic prevention notices and risk areas, disinfecting elevators every 2 hours, and disinfecting public areas twice a day. In addition, we reserved anti-epidemic items that would be sufficient for at least one month, including masks, gloves, protective clothing, isolation clothing, alcohol, disinfectants, etc., and conducted daily self-inspection to ensure community safety and material supply, and fully protect the health of property owners.

At the same time, we used intelligent means to monitor and prevent the epidemic, using multi-person infrared scanners to measure temperature, alerting and reminding people with abnormal temperature, and reducing the risk of abnormal behaviours through real-time monitoring. During the Year, in response to the complex situation of epidemic isolation, the Group developed a series of epidemic prevention courses for isolated designated communities, covering 12 aspects such as sewage treatment, personal protection training, daily disinfection, garbage cleaning, household maintenance, etc., with a total duration of 6 hours, aiming to efficiently and quickly improve the ability of property personnel to handle complex isolation work.

In addition, since December 2022, the Group has flexibly adjusted the epidemic prevention and control measures in response to the challenges in the "post-epidemic" era in accordance with the Notice on Further Optimising and Implementing the Prevention and Control Measures for the COVID-19 Epidemic. Through the issuance of warm reminders such as precise protection guidelines, travel protection guidelines, standing medicine guidelines, key population protection guidelines, and home quarantine personnel guidelines, the Group has helped property owners respond to the COVID-19 epidemic in a scientific and effective manner.



*Precision protection Guideline*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Delivery of food delivery to households, opening up the "last kilometre" of service

In March 2022, during the difficult period of the epidemic in Quanzhou, Fujian Province, in order to ensure the availability of fresh vegetables and emergency drugs to owners in the lockdown area, the property management staff of the Group's Longjingwan Community worked tirelessly to open up the "last kilometre" of service, responsible for daily delivery of living materials to the door to ensure the quality of life of the owners, and won unanimous praise from the owners.

## Case: Distribution of vegetable and drugs to ensure material supply

In April 2022, after the outbreak of the epidemic in Shanghai, the Group's property owners in Yangxi District reported difficulties in buying groceries. In response, the Group's special working group urgently coordinated the procurement of food ingredients, directly purchased more than 600 fresh vegetable packages from the Qingpu Vegetable Base, and sent the vegetable packages to the owners after ventilation and disinfection. In addition, the Group also distributed anti-epidemic drugs such as Lianhua Qingwen Capsule to property owners, and made every effort to protect the healthy life of each property owner.



*Vegetables delivery site*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Customer Complaint Handling and Satisfaction Improvement*

The Group has compiled and formulated the “Guidelines for Handling Customer Complaints” to standardise the procedures for handling customer complaints. The guideline stipulates that project managers are required to register property owners’ complaints on the “Daily Information Record Form for Customer Complaints”, and to collect weekly and monthly customer complaint information according to the “Monthly Report for Cloud Seating”, which is used to analyse the handling of customer complaints and the satisfaction rate of property owners, and continuously improve the efficiency of customer complaint handling. At the same time, we conducted the annual customer satisfaction survey through a combination of engaging third-party professional institutions and internal surveys, and produced more than 20 analysis reports, and carried out special rectification according to service weaknesses to ensure the effective improvement of service quality. During the Year, the customer satisfaction survey of the Group covered 23,003 owners, and the customer satisfaction score was 93.

In order to deal with owners’ complaints in a timely manner, the Group continued to improve the customer complaint handling mechanism and strengthened the construction and operation of customer complaint channels. We adopt butler enterprise WeChat, 400 call system and property management system and other customer complaint channels to provide timely feedback and handle property owners’ demands through intelligent and information means, so as to protect the reasonable rights and interests of customers and effectively improve customer service satisfaction.

### **Housekeeper Corporate WeChat**

- ◇ Implement pre-project manager services, add owners’ WeChat accounts three months before project delivery, proactively engage in face-to-face work, and maintain customer relationships;
- ◇ Reply to the owner’s request within 15 minutes during working hours, and reply to the non-working hours request as soon as possible;
- ◇ Send holiday blessings to the owners with warm care;
- ◇ Supervise the housekeeping, understand the feedback of property owners, and obtain negative news alerts;
- ◇ As of 31 December 2022, 107 projects have been launched, involving 17 regions such as Xiamen, Zhangzhou, Wuxi and Suzhou.

### **400 Call System**

- ◇ The complaint handling process for property-related issues involves registration and immediate recording of the complaint, as well as 100% assignment of the complaint to appropriate personnel;
- ◇ The personnel responsible for handling complaints are required to respond within 24 hours. In case of the owner’s second urging, a new assignment will be made, and the alert level will be updated based on the owner’s feedback. For the owner who repeatedly calls to follow up or has high sentiment, they will be transferred to the service center or property manager for handling.

### **Property Management System**

- ◇ After receiving feedback and complaints from property owners, the front office will issue a work order to handle customer complaints through order dispatch (within 15 minutes), order acceptance (within 30 minutes), handling (within 24 hours), review and follow up (within 48 hours).

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Information Security and Privacy Protection*

The Group strictly abides by the Cybersecurity Law of the People's Republic of China, the Provisions on Protection of Personal Information of Telecommunication and Internet Users and other laws and regulations, and has formulated internal regulations such as the Information Management System of C&D Property Service and the Employee Information Security Guidance Manual of C&D Property Service, which clearly regulates matters such as system authority, data security, electronic document security and account security. At the same time, we have established a strict customer confidentiality system and developed a comprehensive customer confidentiality strategy. We store customer information separately to ensure the approval of the whole process of information flow transfer, such as receipt, delivery, and transportation, to ensure information security at every stage.

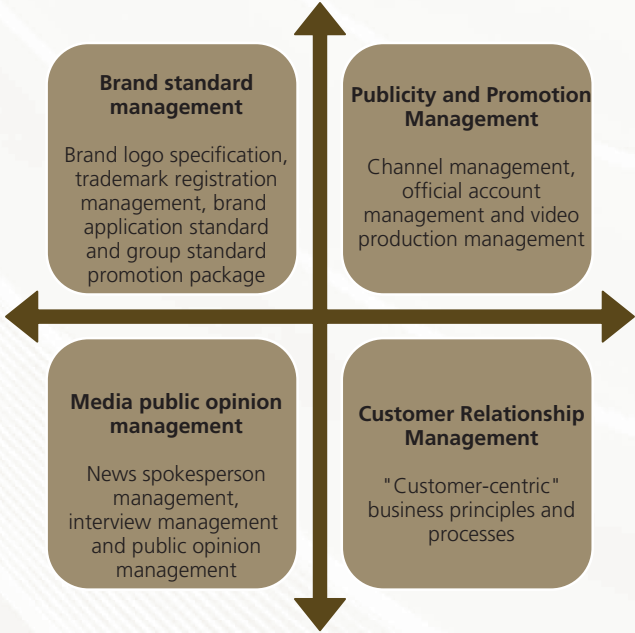
During the Year, we adopted a soft system for the collection and storage of owner information, which is only accessible by fee collectors, project managers and other personnel in certain positions. At the same time, the owner information list is desensitised to minimise the risk of owner information leakage. In addition, the system administrators conduct monthly review and confirmation on the soft system to further reduce the possibility of information leakage of property owners.

In order to strengthen the security of information systems and networks, the Group carried out network protection system security drills, and established a list of network security protection levels for network intrusion to standardise the handling of server intrusion. We also physically isolate and control access to hosts that have been infected with computer viruses. "To strengthen the security of information systems and networks, our group conducts network security drills and establishes lists of network security protection levels to regulate the handling of server intrusion situations. We also physically isolate and control access to hosts that have been infected with computer viruses. For server that have not been infected, we install the latest antivirus software, perform timely patch updates on system application services, close high-risk ports, and enhance network security protection capabilities."

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Integrity promotion and marketing*

The Group strictly abides by the Advertising Law of the People’s Republic of China, the Trademark Law of the People’s Republic of China and other relevant laws and regulations, and has developed and implemented internal management systems such as the Brand Management System of C&D Property Service, and made strict regulations on brand standard management, publicity and promotion management, media public opinion management, customer relationship management, etc., to provide a unified reference for the Group’s external promotion and marketing.



*Content of Brand Management System*

At the same time, in order to enhance the Group’s brand influence and strengthen integrity promotion and compliance marketing, the Group has formulated and implemented internal regulations such as the Publicity Regulations and the Self-media Platform Management Regulations, which provide detailed explanations on specific matters in promotion and marketing, covering the specification of words, key points of publicity, approval and implementation requirements of the self-media platform, so as to standardise the Group’s daily management of the content and process of information release on the self-media platform.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Word specification

- Avoiding using exaggerated extreme words
- Avoid exaggeration and overstatement
- Avoid using special and sensitive words

## Key promotional points

- For accurate, clear, and understanding of product information, avoid the use of models that are misleading and prone to ambiguity
- Avoid making comparative advertisements and using them in an unfair and biased manner to discredit peers
- Avoid “people-group differentiation”, and do not distinguish people from others by purchasing products of the Company
- Avoid over-exaggeration and absolute wording

## Approval and execution requirements for we-media platforms

- No creation, reproduction or dissemination of any content that violates national laws and regulations or contains highly sensitive content on WeChat platform.
- Materials used (including but not limited to fonts, pictures, photos, videos, music, etc.) shall not be subject to copyright infringement
- Not to disseminate unverified information of the relevant company
- Strictly implement the principles of internal and external information release, and do not release information through self-media and external platforms without approval

## 5. Protection of intellectual property rights

The Group strictly abides by the Patent Law of the People’s Republic of China, the Copyright Law of the People’s Republic of China, the Trademark Law of the People’s Republic of China and other laws and regulations, regulates the use and management processes of intellectual property rights such as registered trademarks, patents and software copyrights, and effectively protects the Group’s intellectual property rights and interest. In addition, the Group avoids the risk of intellectual property infringement by requiring employees to remove all unauthorised software, conducting comprehensive inspection of employees’ work computers, and prohibiting employees from using software or materials without copyright or unclear ownership. As of 31 December 2022, the Group has obtained a total of 44 software copyrights, 7 patents and 5 trademarks. In particular, the Group added 6 software copyrights, 6 patents and 1 trademark during the Year.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 6. INCLUSIVE DEVELOPMENT TO GATHER DIVERSIFIED AND EXCELLENT TALENTS

The Group adheres to the principle of “people-oriented and caring for employees”, strictly abides by the Labour Law of the People’s Republic of China, the Labour Contract Law of the People’s Republic of China, the Law of the People’s Republic of China on Promoting Employment, the Law of the People’s Republic of China on the Prevention and Control of Occupational Diseases and other laws and regulations, formulates and implements internal management systems such as the Guidelines for Talent Cultivation and Development Management, continuously attracts outstanding talents, strengthens talent team building, and continuously improves the employee growth and development system. At the same time, the Group attaches great importance to the physical and mental health and legitimate rights and interests of employees, strives to integrate employees’ needs into the business development of the Group, and strives to achieve the common growth and progress of employees and the Group.

### 1. Attracting talents

The Group has formulated and implemented internal systems such as the Human Resources System of C&D Property Service, the Measures for the Administration of Talent Recommendation and Reward, and the Employee Resignation Management Guidelines, to standardise the management of the entire recruitment process, and carry out multi-channel recruitment through external recruitment, internal competition, internal recommendation, resignation and re-employment, and continuously attract excellent talents.

The Group strictly complies with laws and regulations such as the Special Protection Regulations for Juvenile Workers of the People’s Republic of China and the Provisions on the Prohibition of Using Child Labour, to promote fair employment and protect the legitimate rights and interests of employees. We ensure that the recruitment process is not affected by factors such as race, nationality, age, gender, political views, marital status, religious belief and social origin, and eliminate any form of discrimination. At the same time, we strictly examine the age of employees through identity card in the recruitment process, and strictly prohibit the employment of child labour. If the identity of the candidates is found to be untrue, the age is inconsistent or forced labour is found, the Group will carry out corresponding investigations in a timely manner, implement internal rectification, and hold the personnel in dereliction of duty accountable. The Group also refers to international labour standards and norms to ensure the rights and interests of employees in collective bargaining. During the Year, the Group did not identify any case of child labor or forced labour.

In addition, we do not force employees to work overtime, and employees who work overtime are entitled to corresponding compensatory time off or compensation to protect their rights and interests. For employees with resignation needs, the Group has also established a complete resignation approval process and management procedures to standardise the handling of employee salary settlement, labour relations and other matters.

As of 31 December 2022, the total number of employees of the Group was 13,897.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: "Founding Students" campus recruitment seminar

During the Year, the Group held nearly 20 campus seminars at various renowned universities such as Fujian Normal University and Southwest University of Science and Technology. During the seminar, the Group deepened the students' understanding of the overall situation of the Group through the introduction of corporate culture, job positions for campus recruitment, career development and training models, and effectively promoted the brand of "founding students" campus recruitment. During the Year, the Group recruited a total of 110 "founding students" through online and offline methods such as recruitment websites and campus presentations, which attracted a large number of reserve talents and promoted the employment support for college students.



*Campus recruitment*



*Campus seminars*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Protection of employees' right

The Group attaches great importance to the protection of employees' rights and interests, provides employees with a complete salary and welfare system, maintains good communication and exchanges with employees, and carries out various forms of recreational activities, striving to balance the relationship between employees' work and life, and improve their happiness and satisfaction.

### *Remuneration, benefits, assessment and promotion*

The Group has formulated and implemented internal human resources management systems such as the Human Resources System of C&D Property Service, and determined a fixed portion of employees' salary based on the characteristics of the position and the market level, and distributed bonuses based on the actual performance of employees to ensure that employees' salary matches their capabilities and performance. At the same time, we provide comprehensive welfare policies, including statutory benefits such as five insurances and one fund (五險一金) and paid annual leave, as well as company-owned benefits such as festivals, birthdays, funerals, sickness, maternity, marriage, and retirement pension. In addition, we conduct market research on remuneration every year, and adjust the remuneration standards according to the survey results to ensure that we provide employees with competitive remuneration and benefits to enhance their sense of well-being and belonging.

- Statutory benefits: medical insurance, unemployment insurance, maternity insurance, employment injury insurance, pension insurance, provident fund

- Corporate Welfare

Job subsidies: public transportation allowance, off-site work allowance, communication allowance, management trainee allowance, teaching allowance, special job allowance, holiday allowance, birthday allowance, heat stroke/cold prevention subsidies, meal subsidies, rental subsidies, title/certificate subsidies, part-time subsidies

Other benefits: group business insurance for employees, corporate annuity, employee health management, union group activities

In order to improve the performance appraisal and incentive and restraint mechanism, the Group has developed and implemented internal performance management systems such as the Administrative Measures for Performance Appraisal of C&D Property Service Group Limited, and set appraisal indicators and assessment rules for employees at all levels and in different positions, and conducted regular assessment. The results of performance appraisal will be linked to the employee's performance salary or bonus, and serves as a reference for annual appraisal, promotion and internal competition. At the same time, the Group has formulated internal incentive policies such as the "Measures for the Special Reward and Punishment of Property Management for Market Development in 2022" and the "Reward System for Social Business Operation of C&D Property Service Group Limited" to clarify the market expansion reward and business commission reward, encourage the deployment of cross-regional employees that meet business needs and can effectively give full play to employees' initiative, and further improve the employee performance appraisal and promotion system.

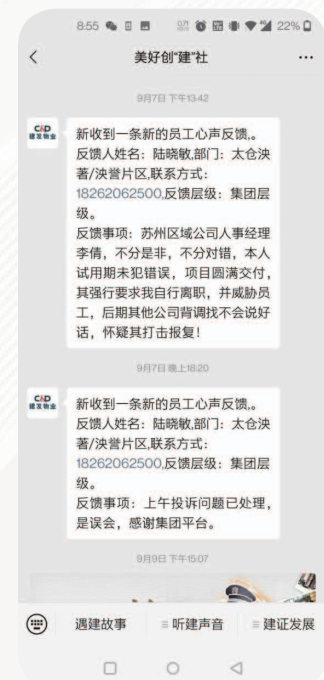
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## *Employee Communication and Care*

The Group advocates the exchange and participation of employees and democratic communication, actively builds diversified communication channels for employees, listens to employees' valuable opinions and makes improvements. We carry out the management-employee communication mechanism, in which management adopts targeted communication methods according to different stages of employees, including induction interview, transfer interview, resignation interview, performance feedback interview, evaluation and other work interviews, and records employees' thoughts and opinions through the Employee Interview Record Form, and makes corresponding improvement measures in a timely manner to meet the reasonable needs of employees. At the same time, the labour union of the Group regularly carries out communication activities with employees to fully listen to their voices.

During the Year, the Group continued to enrich its communication channels, including but not limited to communication meetings, trainings, exchanges and learning, complaints and suggestions, satisfaction/loyalty surveys, online communication platforms, etc. At the same time, the Group has opened a corporate WeChat account—the "Listening to the Voice of Building" column, and publicise the mailbox or contact methods of the complaint or suggestion recipient in each department to ensure smooth communication channels, so as to ensure that employees' appeals and suggestions can be directly conveyed to the receiver and effectively solved. During the Year, the Group conducted employee satisfaction survey through the anonymous online questionnaire method, and the overall employee satisfaction reached 99%.

The Group advocates the work-life balance of employees and carries out various activities for employees. During the Year, we held a series of caring and recreational activities such as festival celebrations, summer heat-proof caring, and fun sports games, which not only enriched employees' spare time, improved their happiness, but also promoted harmonious co-existence among employees and created a more harmonious team atmosphere. In addition, the Group also provides annual physical examination for employees, giving them ample health care.



*A Better Community Interface*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Care Activities for Female Employees

In March 2022, the Group launched the “Women’s Care Month” and carried out the “Women’s Day” caring activity, specially preparing exclusive gifts and baked cakes to surprise female employees. The activity aimed to care for the health of female employees, relieve their work pressure, and let them feel the warmth and care from the Company.



“Women’s Day” event



Customised gifts for Women’s Day

## Case: “Fun Sports, Infinite Joy” sports meeting

In July 2022, the Group held a sports meeting with the theme of “Fun Sports, Infinite Joy”, which included table tennis, fun curling and other activities. This sports meeting aimed to promote employees’ fitness and improve their physical fitness. At the same time, employees were encouraged to live a cultural life outside of work, so that employees could feel the Company’s corporate culture of “focusing on health and happy work”.



Table tennis event



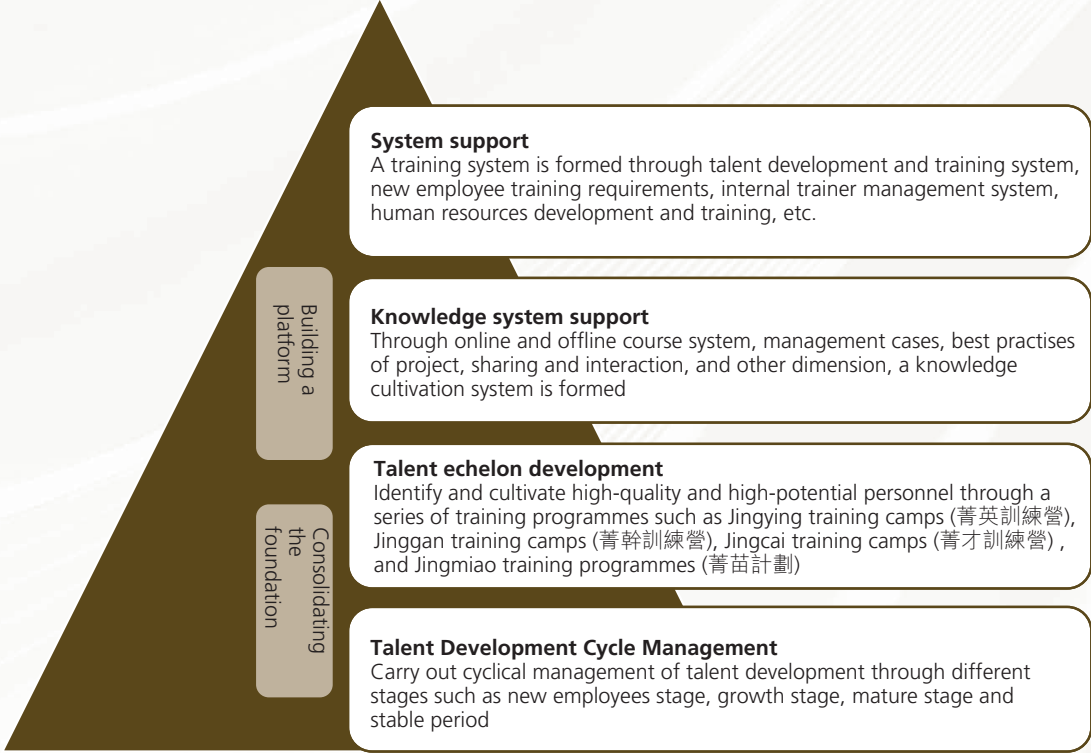
Fun curling activities

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3. Leading the growth of employees

The Group attaches great importance to the training of employees and the talent development, and has formulated and implemented internal management systems such as the Management Measures for Employee Examination and Approval and the Internal Trainer Management System to continuously optimise employee training. At the same time, the Group added the Training Management System of C&D Property Service Co., Ltd. during the Year, which clearly stipulates the training requirements such as basic principles, division of responsibilities, specific training management regulations, inspection and evaluation, and further standardises the employee training and development system.

During the Year, the Group improved the planning of talent development system planning, implemented the management of talent development cycle, and jointly built and enriched the training system through the “building a platform” and “consolidating the foundation” approach, as well as the organic combination of platforms, mechanisms, standards and implementation. In terms of “setting up a platform”, we set up learning channels for employees at all levels through online, offline learning, case studies, practise, sharing and other actions; In terms of “consolidating the foundation”, the Group carried out training programmes such as the Jingmiao (菁苗)/Jingcai (菁才)/Jinggan (菁幹)/Jingying (菁英)/Leader Programme to provide potential training targets at all levels for learning, and differentiated training for excellent reserve talents, so as to provide talent guarantee for the rapid development of the Group.



Talents Development System Planning

During the Year, we carried out various forms of training activities such as the “Jingcai Spark Training Camp”, the “Housekeeping Academy Training Camp”, the “Innovative and Constructive Student Training” and the “New Employee Training”. We also encourages staff to obtain various certificates and professional titles related to industry skills, such as Central Control Certificate, Elevator Safety Officer Certificate, Security Certificate, junior/middle/senior accountant title, etc. The Group offers employees related rewards for undertaking examinations, to motivate staff to continuously learn and improve themselves.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Jingcai (菁才) Spark Training Camp

From February to September 2022, the Group organised 9 Jingcai Spark Training Camp, which mainly covered core courses such as service customer service amenity standards, facility and equipment operation and maintenance, engineering safety threshold, analysis and resolution key and difficult point of satisfaction level, fire safety, project environmental management plans, etc., aiming to enable trainees to align their business knowledge standards in the courses through theoretical programmes and practical sessions.



*Jingcai (菁才) Spark Training Camp*

## Case: Housekeeping Academy Training Camp

In June 2022, the Group launched the first phrase of the Housekeeping Academy Training Camp. The content of the training mainly covered customer complaint handling, customer relationship, amenity, point of use of Housekeeping WeChat, improvement of satisfaction level, collection rate enhancement, on-site inspection, common legal issues, skills for handling customer complaints and group complaint. A total of 38 people participated in the training, with an average score of 91.75, effectively improving the property service capabilities of grassroots management personnel.



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Innovative and Constructive Student Training

In July 2022, the Group launched a 5-day special training camp for innovative and constructive students, with 106 participants, 100% participation rate and 99.06% passing rate. Through the 2-day quality development and 3-day introduction of corporate culture and business basic courses, the training camp effectively enhanced the cohesion and sense of belonging of trainees, and comprehensively consolidated the awareness of job standards and bottom-line risk requirements of the innovative and constructive students and their familiarity with the system standard process.



*Innovative and Constructive Student Training*

## Case: New Employee Training

In April and July 2022, the Group organised training for new employees of the Group, with a total of 50 participants. The participants were new deputy managers or more senior staffs in each department, and relevant leaders who needed training from the Group as reported by their respective department. The content of this training covered corporate culture, company profile and brand introduction, business line knowledge and skills, etc., to gradually enhance new employees' understanding of the Company's business and culture.



*New employee training*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

In 2022, the Group organised a total of 4,141 offline training sessions with a total duration of approximately 4,211 hours and a total of 50,589 participants. The training mainly covered business management knowledge, job operation standards, corporate culture, company introduction, bottom line publicity and other aspects. The average exam score of trainees was 94.79, and the average training satisfaction rate was 9.6.

Meanwhile, the Group continued to provide diversified online courses for employees through the online training “Zhixingli (職行力)” platform, covering institutional documents, job operation standards, community epidemic prevention work, and internal trainer skills improvement, so as to improve employees’ soft skills and hard skills and effectively activate employees and organisational potential. During the Year, a total of 70 online training sessions were conducted with a total of 44,191 participants.

### 4. Safeguarding Employees’ Health and Safety

The Group attaches great importance to the occupational health and safety of employees, strictly complied with the Safety Production Law of the People’s Republic of China, the Law of the People’s Republic of China on Prevention and Control of Occupational Diseases and other relevant laws and regulations, and constantly paid attention to employees’ physical and mental health, striving to create a healthy and safe working environment for our employees.

#### Construction Work Safety

The Group continues to pay attention to the occupational health and safety of employees, and has formulated and implemented internal systems such as the Operation Manual for Property Safety Management and the Management Requirements for Construction Operations in Limited Space of Properties to clarify the safety management responsibilities of each department and the operation requirements of construction personnel. The Group also strictly prevents safety accidents through strict supervision and inspection to create a safe and reliable construction working environment for employees. At the same time, the Group actively strengthens the health and safety protection for employees by carrying out safety training and drills and equipping them with safety protection equipment, so as to improve employees’ ability to deal with emergencies or dangerous events.

Safety operation standards	Special safety inspection	Safety training and drills	Safety protection equipment
<ul style="list-style-type: none"> <li>We have formulated standard guidance documents in respect of safety for working at height, safe electricity operation, safety management of outsourced projects, fire safety, etc., and set up eye-catching warning signs in corresponding places to enhance employees’ safety awareness.</li> </ul>	<ul style="list-style-type: none"> <li>Regional companies regularly carry out self-inspection on safety production, and to rectify hidden safety hazards once identified. The Group’s headquarters conducts random checks on key projects under management.</li> </ul>	<ul style="list-style-type: none"> <li>We regularly carry out safety production training, skill competitions, fire and typhoon and flood prevention emergency drills to continuously improve employees’ ability to deal with emergencies or dangerous events.</li> </ul>	<ul style="list-style-type: none"> <li>Distributing working clothes, working shoes, safety helmets and other protective equipment to employees in special positions to ensure their occupational safety;</li> <li>Provide employees with manuals on the use of safety and protective equipment and conduct related training.</li> </ul>

Measures to protect employees’ occupational health and safety



Posters on safety-related standards

## Case: Training on the Use of Fire-fighting Equipment in Lingdi District

In July 2022, the Group conducted training on the use of fire-fighting equipment in the Lingdi District, Fujian Province, and introduced the use of fire-fighting equipment such as fire extinguishers, water belts and outdoor fire hydrants to employees, so that employees can master the practical skills of common fire-fighting equipment, and effectively improve their self-rescue ability to respond to emergencies and enhance their safety awareness.



Fire-fighting equipment training site

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Annual Safety Training of the Group

In September 2022, the Group organised a three-day safety training for 44 representatives across the country. The training detailed the interpretation of laws and regulations of safety industry, key points of project safety hazard investigation, key points of project fire safety management, emergency handling, safety production management regulations, major event reporting system, safety bottom line red and yellow card system, safety flight inspection standards and other eight safety modules, and the passing rate of trainees reached 100%. This safety training helped frontline staff to have a clearer understanding of the Group's safety management system and process, and enhanced their self-protection awareness and ability.



Safety training

Moreover, the Group attaches great importance to the personal health of employees and provides care for front-line construction workers, such as heat and temperature reduction. At the same time, the Group arranges regular health checkups for employees, and have commercial insurance covering the health and safety of employees comprehensively.

### Sympathy for heat preservation

- We regularly visit the front-line employees who work under high temperature and send them comforting products to prevent heatstroke;
- We promote the knowledge of heat stroke prevention and first aid to our employees to improve their self-protection ability.

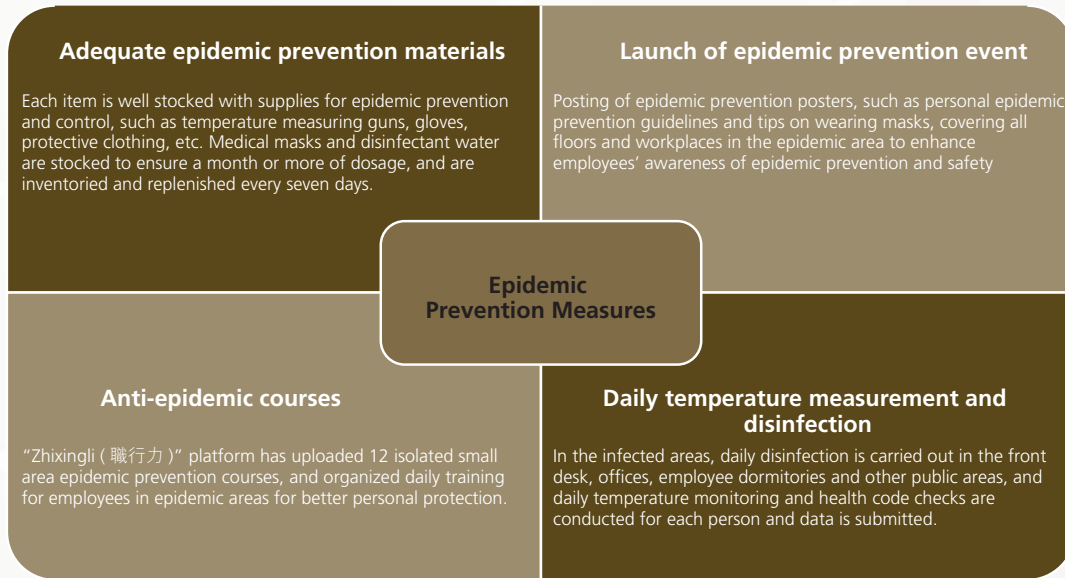
### Health screening and insurance

- We arrange regular health check-ups for our employees every year to record their health conditions;
- We have commercial insurance for our employees to proactively protect them against accidental risks.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Combating COVID-19

The Group attaches great importance to the prevention and control of the COVID-19 pandemic and actively implements normalised pandemic prevention policies, including providing sufficient pandemic prevention materials, carrying out pandemic prevention publicity, setting up pandemic prevention courses, and conducting daily temperature measurement and disinfection. At the same time, in response to the sudden outbreak of the epidemic, the Group launched emergency measures for epidemic prevention and control, posted site codes on the main passageway of the project, checked three codes for personnel entering the community, and timely updated the government's epidemic prevention notices and risk areas to effectively protect the health and safety of employees.



## Permanent epidemic prevention and control measures



Anti-epidemic publicity Bulletin Board



Daily disinfection in lifts

In addition, in the "post-epidemic era" and with the optimisation of epidemic policies in various regions, the Group also actively adjusted its own epidemic prevention and control policies and measures. We strengthened the safety guarantee for the epidemic, provided medical protective masks, hand sanitizers and other epidemic prevention materials for normal on-duty employees, and carried out daily temperature measurement and office disinfection to ensure the health and safety of on-duty employees. At the same time, we provided all employees with antigen test kits, essential anti-epidemic drugs such as antipyretic drugs and cold drugs, and spread basic knowledge of the COVID-19 pandemic, including precise protection guidelines, travel protection guidelines, standing drug guidelines, key human protection guidelines, home isolation personnel guidelines and other friendly reminder, and implemented pandemic prevention and control measures in a scientific and accurate manner.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 7. COLLABORATIVE IMPROVEMENT TO BUILD A CULTURE OF INTEGRITY

The Group has firmly established the awareness of compliance risk prevention and control, and has carried out the construction of a clean culture in an orderly manner to create a cultural atmosphere of clean business. Meanwhile, we continue to strengthen the management of environmental and social risks in the supply chain and actively maintain a good cooperative relationship with our suppliers, striving to achieve mutual benefits and a win-win situation.

### 1. Construction of integrity culture

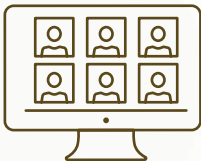
The Group attaches great importance to the construction of a culture of integrity, strictly complies with the Anti-Money Laundering Law of the People’s Republic of China, the Anti-unfair Competition Law of the People’s Republic of China and other laws and regulations, formulates and implements internal management systems such as the Integrity and Self-discipline Manual, and makes clear provisions for the protection of the Company’s interests, employees’ prohibited behaviours, financial funds, information management, human resources and administration, and incorporates anti-fraud and anti-corruption related provisions in the Induction Commitment Letter to further standardise employees’ integrity behaviours.

In our daily operation, the Group strengthens integrity and self-discipline education through activities such as holding lectures on integrity and self-discipline, arranging video-watching on integrity and self-discipline, and conducting special courses on integrity and self-discipline for management trainees, so as to continuously enhance the alertness of the Company’s directors and employees on occupational red lines such as corruption, money laundering, bribery and fraud. In addition, the Group issues the “Disciplinary Requirements Notice” before important holidays to remind all employees to abide by the bottom line of integrity and create an honest and trustworthy business environment.

A sound supervision mechanism is a strong guarantee for integrity culture. The Group has opened a variety of reporting channels for corruption. After receiving relevant reports, the Group will immediately arrange personnel to verify the reported matters. If there is any actual corruption issue, relevant punishment will be made according to the actual circumstances. Serious case will be transferred to the judicial authority. After verification, the whistle-blower will be reported through the whistle-blowing channel, while anonymous complaints will be reported to the relevant department. During the Year, there were no concluded legal cases regarding corrupt practises brought against the Group or its employees.



Mayor’s hotline



Media discussion



400 Hotline



A complaint channel for employees of the well being “Building” Club

*Channels for reporting corruption*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

During the Year, the Group conducted anti-corruption training in various forms, including face-to-face lectures, online self-learning and video demonstrations, to educate all staff at all levels of the Group on integrity and self-discipline, covering the provisions of the spirit of the Eight Provisions of the Central Government, the provisions of the Group's integrity and self-discipline manual, certain provisions on the integrity of leading personnel of state-owned enterprises and common job-related crimes in state-owned enterprises, in order to strengthen the anti-corruption awareness of all staff. As at 31 December 2022, the Group had participated in anti-corruption training for a total of 13,621 people and received a total of 40,484 hours of training.

## Case: Conduct integrity and self-discipline training for directors and branch party members

On 4 November 2022, the Group organised the members of the Board and party members of the branch to jointly study the reports of the 20<sup>th</sup> National Congress of the Communist Party of the PRC and special courses on integrity and self-discipline of the Party, with a total of 4 class hours and 30 participants, with a participation rate of 100%. The training organised and watched the reports of the 20<sup>th</sup> National Congress of the Communist Party of the PRC and the special documentary of anti-corruption theme "Hunting: Offering bribes (《圍獵：行賄者說》)" to convey the necessity of anti-corruption work in the form of a vivid image, and convey the importance of anti-corruption and self-discipline through case warnings. This training effectively enhanced the awareness of integrity and self-discipline of directors and party members and cadres, and took this opportunity to urge directors and party members and cadres to take the lead in fulfilling the requirements of integrity and self-discipline.



*Integrity and self-discipline training*

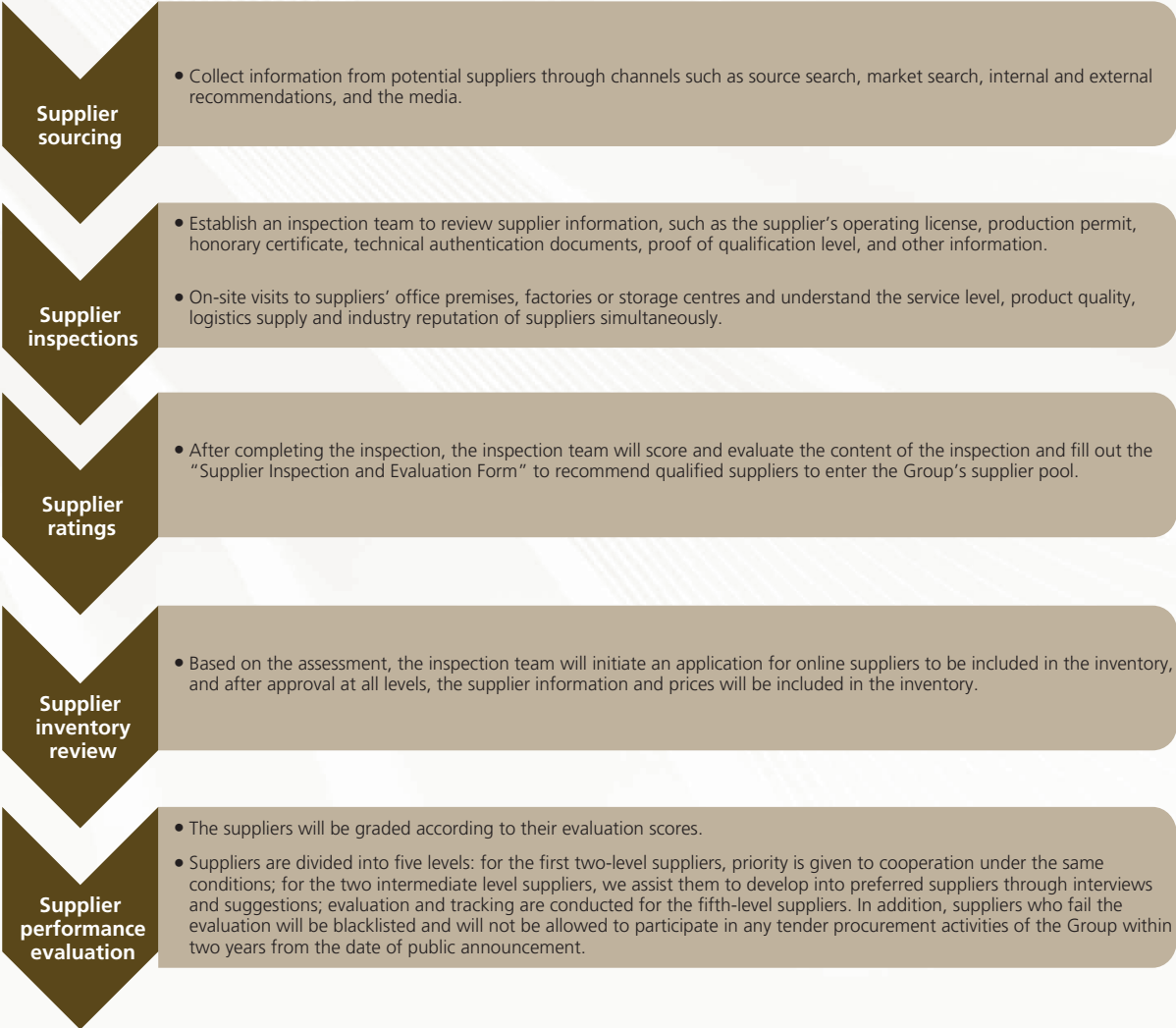
# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Supply chain management

The Group has strictly complied with the requirements of the Tender Law of the People’s Republic of China and other laws and regulations, practiced the concept of mutually beneficial and win-win cooperation with suppliers, and continuously strengthened the management of the whole process of supplier inspection, scoring, inventory evaluation and contract performance assessment, and fully considers its environmental and social risk factors in procurement to continuously improve the construction of green supply chain. At the same time, we actively maintain good cooperation with suppliers, maintain stable and close communication with suppliers, and strive to achieve mutual benefits and win-win results.

### Supplier Management Process

The Group has formulated and implemented internal management systems related to procurement, such as the Manual of Supplier Management (供方管理手冊), Manual of Tender Procurement Management (招標採購管理手冊), Manual of Procurement Contract Management (採購合同管理手冊) and Manual of Procurement Planning Management (採購策劃管理手冊). The Group has established a mechanism for supplier access, evaluation and elimination, and conducted inspection and evaluation from the aspects of supplier sourcing, inspection, scoring and performance evaluation, so as to promote the openness, fairness and justice of supplier management and protect the quality of products and services.



Whole process of supplier management



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

*Supplier environmental and social risk management*

The Group pays attention to the performance of suppliers in environmental and social aspects, continues to strengthen the management of environmental and social risks in the supply chain, sets a number of environmental and social related indicators in supplier access inspection and evaluation, encourages suppliers to actively assume social responsibilities, and works with suppliers to build a green and harmonious society.

 <p>Priority is given to suppliers who have obtained environmental management system certification, quality management system certification and occupational health and safety management system certification</p>	 <p>Priority is given to suppliers who contribute to social insurance and purchase commercial medical insurance</p>
 <p>Addition of new green products and green craftsmanship as extra scoring items for suppliers</p>	 <p>Increase the age assessment of personnel as a necessary item to ensure that the age of supplier personnel does not exceed the contractual age</p>

Meanwhile, the Group actively implements green procurement, gives preference for environmental-friendly and low-carbon products in the procurement process, introduces auto cleaning equipment, and plans to purchase a series of environmental-friendly products such as smart garbage sorting houses, so as to promote the Group to move towards green procurement.

*Promote transparent procurement*

The Group adheres to the principles of centralised procurement, transparency and fairness, competition, selection of the best, confidentiality, traceability and other procurement management principles, strictly regulates the bidding and procurement process, eliminates underhand operations, and promotes transparent procurement.

The Group stipulates that procurement personnel in key positions are required to sign the Integrity Undertaking to achieve openness, fairness, impartiality and honesty as well as to prohibit the abuse of power and seeking of benefits by improper means. In case of violation, severe penalties such as warning, criticism, dismissal and demotion, and termination of labour contracts will be imposed to ensure the transparency of the procurement process. At the same time, the Group implements strict supplier integrity management, requires suppliers to sign the Integrity Cooperation Agreement and the Integrity and Law-abiding Undertaking, and strictly supervises the behaviours of suppliers to eliminate any form of bribery and corruption. In the event of non-compliance by suppliers, the Group will take measures such as claiming liquidated damages and termination of contracts in order to establish a responsible supply chain.

*Communication and exchange with suppliers*

The Group actively carries out training, meetings and other activities related to suppliers, strengthens communication and exchanges with suppliers, and continuously improves the supplier communication mechanism to enhance the trust and cooperation awareness of both parties, and gradually establishes a mature and stable strategic cooperation relationship.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 8. GREEN ENVIRONMENTAL PROTECTION AND PRACTISING LOW-CARBON CONCEPT

The Group advocates the concept of low-carbon environmental protection, strictly complied with the Environmental Protection Law of the People’s Republic of China, the Air Pollution Prevention and Control Law of the People’s Republic of China and the Water Pollution Prevention and Control Law of the People’s Republic of China, etc., and actively responds to the national goal of “3060 Carbon emissions peak and carbon neutrality (3060碳達峰、碳中和)”. The Group continues to optimise and improve the management systems related to energy conservation and emission reduction, water conservation and waste reduction, promotes green community operations, implements green office, and strives to promote the achievement of environmental management objectives. At the same time, the Group actively responds to climate change, formulates contingency plans based on its actual situation to reduce the impact of climate change, and advocates employees to participate in green and carbon reduction actions to help the construction of an ecological civilization.

### 1. Environmental Management Targets

In order to strengthen the tracking and control of environmental management benefits, the Group has set four major development targets for emissions management, waste management, energy management and water resources management. The Group has also implemented action plans for energy conservation, emission reduction, waste reduction and water conservation in two major dimensions: green community and green office, and actively implemented a number of energy conservation and consumption reduction measures to fulfil its environmental protection responsibilities.

#### Emissions reduction targets

Reduce unnecessary energy use and implement energysaving technologies to contribute to limiting the global temperature increase to 1.5°C by the end of the century.

#### Waste reduction targets

Promote the separation of office waste, strengthen the recycling of office materials, and reduce waste;  
Sort and recycle solid waste from office areas and legalize hazardous waste disposal.

#### Energy-saving targets

Continue to deepen the statistical analysis of energy consumption and explore the direction of quantitative targets for energy saving and emission reduction;  
Develop low-energy office equipment and daily appliances to reduce office power consumption.

#### Water-saving targets

Actively promote awareness of water conservation and iterative replacement of water-saving appliances to reduce water wastage.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 2. Green Community

The Group has formulated and implemented internal energy consumption management systems such as the Letter from the Engineering Technology [2020] No. 2 Energy Saving Control Standard for Public Areas (工程技術[2020]2號公區節能管控標準) and the Engineering Technology [2020] No. 9 Administrative Measures on Water and Electricity Consumption of C&D Property Service Group Limited (工程技術[2020]9號建發物業服務集團有限公司水電能耗管理辦法), which clearly stipulates the water and electricity requirements of each public area, and continuously improves the efficiency of resource and energy use in the business operation process, so as to reduce energy consumption expenditure and gradually deepen the construction of green properties. The Group's water sources mainly come from the municipal pipeline, and some projects use water from nearby rivers for greening and irrigation, so it did not encounter any problem in obtaining appropriate water source.

The Group continues to require all regional projects to strictly implement the Energy Saving Control Standard for Public Areas and designate certain projects to vigorously implement environmental protection measures such as electricity conservation, water conservation and waste classification, so as to reduce the potential impact of the Group's operations on the environment and natural resources. During the Year, the energy saving and environmental protection measures adopted by the Group and the results achieved include but not limited to the following:

- Electricity saving**
  - Through technical transformation such as temperature control of air conditioners in equipment rooms replacement of lighting fixtures in the roads of the park and basement optimisation of the mode and time of the switch, we can save approximately 147,300 kWh of electricity per month.
- Water Conservation**
  - By adjusting the frequency of water replacement in the landscape water system and using the replaced water for greening irrigation in surrounding area.
  - Optimise and replace cleaning water taps and increase eye-catching water saving reminders.
  - Replace the original valves with more durable water intake valves for greening irrigation, and change the manual irrigation method to automatic sprinkler irrigation method, which can save about 308 tonnes of water per month.
- Waste sorting**
  - Actively promote the installation of waste sorting devices in projects under management, with a coverage rate of approximately 90% as of 31 December 2022.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Changsha Central Park adopted sprinkler irrigation technology to save water resources

The Group’s managed property Changsha Central Park uses sprinkler pipe technology to replace artificial irrigation to save water resources. The technology increases the irrigation area without deep infiltration and surface runoff, effectively reducing pipeline water loss. Meanwhile, the technology can maintain water and soil, enable water to penetrate the soil layer, and avoid water and soil erosion. Compared with artificial irrigation, the technology can save 30%-50% of water. In addition, the use of sprinkler pipe technology can improve the mechanisation of irrigation and save labour.



Photo of sprinkler irrigation

## Case: The Group regulates waste treatment

The Group advocates waste classification and formulates corresponding management measures based on the actual situation of the projects under its management. For the management of the C&D International Building, the Group has formulated relevant waste management measures in accordance with the Measures for the Administration of City Appearance and Environmental Hygiene in Xiamen and the Measures for the Administration of Municipal Solid Waste in Xiamen issued by Xiamen, as well as the office and commercial complex nature of C&D International Building itself. For example, the building requires waste sorting, recycling and transfer in designated areas; Set up publicity and reminder signs, and carry out garbage classification publicity through broadcast regularly. Through the above requirements and publicity, the environmental awareness of the Group’s employees and staffs in the building has been continuously improved.



Waste sorting guidelines







Waste sorting bulletin board

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### 3. Green Office

The Group actively implements the concept of green environmental protection, promotes green office, and encourages all employees to create a green, healthy and environmentally friendly office environment together. During the Year, the Group continued to promote green office mainly through the following initiatives:

-  • Strictly stipulate the temperature setting and time of air conditioners in the office area; optimise the temperature and humidity sensors of air conditioners optimise the time and temperature of automatic switches of end fan coil units or air conditioners; and post power-saving signs at the switches of air conditioners to enhance employees' awareness of energy conservation.
-  • Shorten the automatic lighting hours of various light belts in public office areas.
-  • Promote the re-use of printing paper, post reminders for the re-use of printing paper next to printers, and set up trays for recycling paper ; require employees to verify the printing content in advance to avoid re-printing; vigorously promote electronic office processes to reduce paper application processes.
-  • Advocate the recycling of used electronic office supplies such as used batteries and mice.



Post water saving reminders



Advocate re-use of paper

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 4. Addressing Climate Change

Nowadays, climate change has become a common challenge faced by all human and one of the major risks that enterprises must address. In response to the possible impact of climate change on the Company's business and operations, the Group's ESG working group is responsible for formulating and reviewing policies related to climate change, supervising the management of climate change risks in the Group's operations, so as to mitigate the impact of climate change and continuously strengthen the Group's ability to resist climate change.

The Group regularly reviews the climate change risks faced by business operations, and identifies and evaluates climate change issues that may have a significant impact on the Group from the two major dimensions of physical risks and transition risks. Among them, the physical risks including extreme weather such as typhoons, heavy rains, floods and high temperatures may cause disruptions to the Group's business operations and result in a decrease in revenue. At the same time, transition risks such as tightened environmental policies and stricter carbon emission control may lead to the rise of the Group's operating costs.

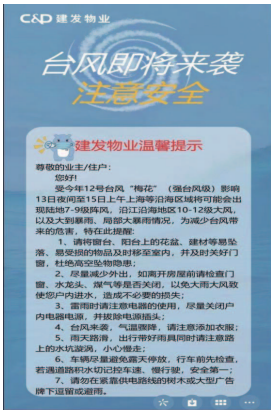
In addition, the Group is well aware that under the national "3060 Carbon emissions peak and carbon neutrality (3060碳達峰、碳中和)", the whole society will actively transform and upgrade towards a green, low-carbon and zero-carbon pathway. The Group will also actively take a number of measures to minimise the negative impact of climate change risks and seize the opportunities arising therefrom.

To effectively address climate change-related risks, the Group has taken measures including but not limited to:

- The Group formulated and implemented the "C&D Property Management Group's Various Emergency Response Plan module" and "Classification and Emergency Measures for Typhoon and Flood Prevention of Property Facilities and Equipment", and clarified the emergency methods for extreme weather and natural disasters to improve the Group's risk resistance capacity;
- The engineering technology department of the Group pushes special work order module for extreme weather, and requires relevant officers of the projects to conduct special inspections before the occurrence of extreme weather;
- In response to the severe precipitation, officers of the projects issued warnings in time to guide residents in the community to investigate the risk points of balcony flower basin, window and gas;
- The Group carried out typhoon and flood prevention drills to guide employees to master correct and efficient way for flood prevention.

**Case: Park Capital actively respond to extreme weather such as typhoons and strong precipitation**

In the Park Capital project operated by the Group, property management personnel would notify the owners of the key points of typhoon and flood prevention in advance of extreme weather such as typhoon and strong precipitation, and arrange relevant departments to investigate the potential safety hazards of the community in typhoon and flood prevention and make rectification in a timely manner. Through the aforesaid measures, when typhoon and rainstorm weather comes, the community can be effectively prevented from water accumulation on roads, failure of elevator and lifts, leakage of underground garage and wall.



Warning for typhoon and flood control



Community safety hazard investigation

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## 9. SPREADING THE POWER OF LOVE WITH WARMTH AND KINDNESS

### 1. Participation in public welfare activities

While focusing on its own operation and development, the Group actively participates in social welfare and interaction, contributing to the construction of a harmonious, safe and cohesive modern community. During the Year, the Group actively fulfilled its corporate social responsibility by building a solid health defence line against the epidemic, sending warmth to the community and promoting the development of a civilised city.

#### *Combating COVID-19*

In the face of the severe COVID-19 epidemic, the Group actively responded to and implemented the government's epidemic prevention policies, and fully devoted itself to the anti-epidemic actions to establish a warm line of defence against the COVID-19 epidemic.

#### Case: Warm-hearted Service for the Xiamen Linqian Complex

From August to September 2022, in order to comply with the COVID-19 prevention and control requirements of the Xiamen government, the Group quickly opened local Linqian quarantine area, and assigned experienced personnel to complete the preparation work such as room cleaning, surrounding construction in quarantine area, and quarantine material procurement, for the transportation of personnels with close contract or secondary close contact. At the same time, the Group provided living materials, psychological counselling and other physical and mental care for personnel in quarantine area, and provided personalised services for children, the elderly, pregnant women, patients and other special personnel, which won the sincere gratitude and unanimous praise of everyone, and contributed to the prevention and control of the epidemic and the health of the people.

### 厦门海洋职业技术学院

#### 感谢信

林前综合体隔离点各位领导、全体工作人员：

8月28日是我校秋季开学返校日，上午一阵急促电话铃声在校园里响起，“有4位同学在返校动车上与阳性病例密接，需马上流调”。最终67人密接、次密接学生被转运至林前综合体隔离点。

*Appreciation letter received from  
quarantine area*



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

### *Give warmth in community visits*

The Group cares for the people or families with financial difficulties in the communities where the projects operate, provides them with material assistance and spiritual comfort, carefully listens to their voices in order to satisfy their living demands, and conveys warmth with every little efforts.

## Case: Visiting low-income households in the community

In December 2022, the Group, together with Residential Committee of Guyan Community, Jinhai Street, Xiang'an District, Xiamen City (廈門市翔安區金海街道鼓岩社區居委會), organised the "Chinese New Year Charity Dinner" activity to care for low-income families in the community, and sent gift packs for Chinese New Year's Eve dinner to them, to understand their living conditions and needs, and to provide assistance within their capacity, and to let them feel warm and care in action.



*Caring for low-income households in the community*

### *Participation in the construction of a civilised city*

The Group actively participates in the construction of a civilised city. The Group takes the lead and encourages its employees and residents volunteers in the community to participate in the construction of a civilised city in Xiamen. Through civilised travel, street cleaning, distribution of civilised city leaflets and other voluntary activities, the image of the city is enhanced, scratching a civilised landscape of the city.

## Case: "Home cleaning by children" activity to help build a civilised city

In August 2022, in response to the call for building a civilised city in Xiamen, the Group cooperated with Xinglin Street, Jimei District, Xiamen to carry out the activity of "Home cleaning by children", with a total of more than 20 children participants in the community. During the activity, the children effectively improved the environmental hygiene of the community by cleaning up garbage inside and outside the community and surrounding streets, and formed a good atmosphere of "caring for the environment by everyone" to help build a civilised city in Xiamen.



*Waste cleaning by children*

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: Voluntary service activity of “Clean Home, Creating Civilization”

In September 2022, the Group and the Central Midea Project Community Committee (中央美的項目社區居委會) jointly carried out the volunteer service activity of “Clean Home, Creating Civilization”, organised party member volunteers to clean the leaves and garbage of the communities and roads, and clean the green belts on both sides of the roads, so as to achieve “cleaning up a spot once discovered” to improve the living environment of the communities. In addition, party member volunteers deployed citizens to participate in ecological environment management such as green areas in parks and tourist attractions, and jointly protected the clean and hygienic appearance of Xiamen.



*Volunteers cleaning leaves and garbage*

## 2. Building a humanistic community

The Group attaches great importance to the construction of community culture, and pays attention to the well-being and physical and mental health of the elderly, youth and other groups in the community. Through various festival activities carefully planned by the staff of various property projects, the Group continuously enriches the cultural life of community residents, brings closer neighbour relations, and strives to create a harmonious and inclusive community environment.

## Case: “Getting Involved in Strengthening the State” National Defence Knowledge Learning Activity

In August 2022, the Changsha Volunteer Service Team of the Group held a national defence knowledge learning training with the theme of “Getting Involved in Strengthening the State” in the community. At the training session, the Discipline Inspection Department of the Party, the Group and the veteran Yi Yongjun taught children in the community a vivid national defence education class from the two aspects of popularising the knowledge of the Military Day and firearms introduction, so that the youth can have a deeper understanding of national defence science knowledge and security situation, and this activity cultivated the patriotism spirit and national defence awareness of the youth.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Case: "Sending Love in Lantern Festival, Lantern Riddles, Fortune Comes" New Year Celebration

In February 2022, the Group held the "Ice Sweet Dumpling DIY" activity in the properties managed by the Group. In a happy and relaxing atmosphere, the children felt the charm of Chinese traditional culture by participating in the production of sweet dumpling. At the same time, special event was held in the properties managed by the Group on the Lantern Festival with the theme of "Sending Love in Lantern Festival, Lantern Riddles, Fortune Comes" to send holiday blessings to property owners and enhance community cohesion.



Lantern Festival Event Site

## Case: "Celebrating National Day, Love in Chongyang" Double festival special event

In October 2022, in order to celebrate the National Day and the Chongyang Festival, the Group held a series of activities in Fuzhou, such as patriotic posters, paper cup cakes production, and watching patriotic films, so that property owners can express their patriotism in the interesting session. At the same time, on the occasion of the Double Ninth Chongyang Festival, we prepared exquisite gifts for the elderly, and organised activities such as health checks, voluntary hair cutting, dumpling making, and FAQ sessions for smartphones. Starting from basic necessities, the Group created a happy Chongyang Festival for the elderly, which was highly praised by the owners.



Photos of Double Festival Community Activities

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 1: HONOURS OF THE GROUP IN 2022

No.	Name of Honours and Awards	Awarding Entity
1	30th in the 2022 Top 100 Property Management Companies in the PRC	China Index Academy
2	2022 Top 100 Blue-Chip Property Management Companies (2022 藍籌物業百強企業)	The Economic Observer* (經濟觀察報)
3	34th in the 2022 Top 50 Integrated Strength Property Management Companies in China	CRIC Property Management (克而瑞物管) China Property Research Institute (中物研協)
4	29th in the 2022 Top 100 Property Management Companies in terms of Service Capabilities	CRIC Property Management (克而瑞物管) Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院)
5	11th in the 2022 Top 50 Integrated Strength Property Management State-owned Companies in China	CRIC Property Management (克而瑞物管) China Property Research Institute (中物研協)
6	34th in the 2022 Top 100 Brand Value Property Management Companies in China	CRIC Property Management (克而瑞物管) China Property Research Institute (中物研協)
7	2022 Leading Residential Property Management Service Companies in the PRC	CRIC Property Management (克而瑞物管) China Property Research Institute (中物研協)
8	2022 TOP10 School Property Service Enterprise	CRIC Property Management (克而瑞物管) Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院)
9	2022 Leading Companies of China in Office Building Property Service	CRIC Property Management (克而瑞物管) China Property Research Institute (中物研協)
10	2022 Enterprise with Excellent Investment Value	The Economic Observer* (經濟觀察報)

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT



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# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 2: 2022 ENVIRONMENTAL AND SOCIAL KEY PERFORMANCE INDICATORS (KPI)

### Environmental Key Performance Indicators (KPI)

ESG Indicators	Unit	Usage/ emissions
<b>A1.2 Greenhouse gas emissions</b>		
Energy indirect greenhouse gas emission (Scope 2)	Tonnes	148.09
<b>A1.3 Hazardous waste produced</b>		
Weight of hazardous waste	Tonnes	0.03
<b>A1.4 Non-hazardous waste produced</b>		
Weight of non-hazardous waste	Tonnes	8.62
<b>A2: Use of resources</b>		
<b>A2.1 Total energy consumption and density</b>		
Electricity consumption	Kilowatt hour	186,959.27
Indirect energy consumption	Kilowatt hour	186,959.27
Total energy consumption	Kilowatt hour	186,959.27
Energy consumption intensity	Kilowatt hour/ square meter	0.47
<b>A2.2 Water consumption and density</b>		
Water consumption	Cubic metre	3,486.94
Water consumption intensity	Cubic metre/ square meter	0.01

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes to 2022 Environmental KPIs:

- (1) Time scope of the data: 1 January 2022 to 31 December 2022.
- (2) Scope of data: this report discloses the energy and resources consumption of the Group's headquarters, Xiamen area, Huifeng Jiayuan (滙豐家園), Jinshan International and Banshanyujing\* (半山御景) B03 project in terms of office areas.
- (3) Greenhouse gas emissions (Scope 2) were generated from purchased electricity. As the Group did not use other fuels, it is not subject to waste gases and greenhouse gas (Scope 1) emissions.
- (4) Emission factors of greenhouse gas of purchased electricity were applied with reference to the 2019 Emission Reduction Projects — Baseline Emission Factors for Regional Power Grids in China (《2019年度減排項目中國區域電網基準線排放因子》) issued by the Ministry of Ecology and Environment of the People's Republic of China. Other emission factors are based on the *ESG Reporting Guide* of the Hong Kong Stock Exchange.
- (5) Non-hazardous wastes were mainly office wastes. Hazardous wastes were mainly waste batteries, waste light tubes and bulbs, waste ink cartridges and toner cartridges.
- (6) The type of energy consumed by the Group was purchased electricity.
- (7) Energy intensity = Total energy consumption/GFA under management; water intensity = water consumption/GFA under management; of which, scope of statistics of GFA under management is in line with the scope of environmental data collection.
- (8) Due to nature of the Group's business, packaging materials were not used.

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## Social Key Performance Indicators (KPI)

ESG Indicators		Unit	Date
<b>B1. Employment</b>			
<b>B1.1 Total workforce by gender, employment type, age group and geographical region</b>			
<b>Total workforce</b>	Person	Person	13,897
<b>Gender</b>	Male	Person	8,382
	Female	Person	5,515
<b>Employment type</b>	Non-management	Person	5,819
	Middle management	Person	7,347
	Senior management	Person	731
<b>Age</b>	Age 30 or below	Person	5,188
	Age 31-50	Person	6,628
	Age 50 or above	Person	2,081
<b>Geographical region</b>	Anhui Province	Person	152
	Beijing Province	Person	40
	Fujian Province	Person	8,846
	Guangdong Province	Person	268
	Guangxi Province	Person	340
	Guizhou Province	Person	74
	Henan Province	Person	366
	Hubei Province	Person	133
	Hunan Province	Person	583
	Jiangsu Province	Person	1,492
	Jiangxi Province	Person	119
	Shandong Province	Person	107
	Shanghai Province	Person	560
	Sichuan Province	Person	628
	Zhejiang Province	Person	189
	Hong Kong, Macau, Taiwan and Overseas	Person	0



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Unit	Date
<b>B1.2 Employee turnover rate by gender, age group and geographical region</b>			
<b>Overall employee turnover rate</b>		Percentage	30.83
<b>Gender</b>	Male	Percentage	32.02
	Female	Percentage	28.95
<b>Age</b>	Age 30 or below	Percentage	40.26
	Age 31-50	Percentage	24.87
	Age 50 or above	Percentage	19.53
<b>Geographical region</b>	Mainland China	Percentage	30.83
	Hong Kong, Macau, Taiwan and Overseas	Percentage	0
<b>B2. Health and safety</b>			
<b>B2.1 Number and rate of work-related fatalities occurred in each of the past three years</b>			
<b>Number of work-related fatalities</b>			
	2022	Person	0
	2021	Person	0
	2020	Person	0
<b>Rate of work-related fatalities</b>			
	2022	Percentage	0
	2021	Percentage	0
	2020	Percentage	0
<b>B2.2 Lost days due to work injury</b>			
<b>Lost days due to work injury</b>		Days	1,923
<b>B3. Development and training</b>			
<b>B3.1 The percentage of employees trained by gender and employee category</b>			
<b>The percentage of employees trained</b>		Percentage	100.00
<b>Gender</b>	Percentage of male trained employees	Percentage	100.00
	Percentage of female trained employees	Percentage	100.00
<b>Employment type</b>	Percentage of senior management trained	Percentage	100.00
	Percentage of middle management trained	Percentage	100.00
	Percentage of non-management trained	Percentage	100.00

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Unit	Date
<b>B3.2 The average training hours completed per employee by gender and employee category</b>			
The average training hours completed per employee		Hour	403.35
<b>Gender</b>	Average training hours employed per male employees	Hour	386.41
	Average training hours employed per female employees	Hour	429.64
<b>Employment type</b>	Length of training for senior management	Hour	39.20
	Length of training for middle management	Hour	60.06
	Length of training for non-management	Hour	865.93
<b>B5. Supply Chain Management</b>			
<b>B5.1 Number of suppliers by geographical region</b>			
Total number of suppliers		–	1,450
<b>Geographical region</b>	Eastern PRC	–	1,272
	Central PRC	–	173
	Northeast PRC	–	0
	Western PRC	–	5
<b>B6: Product Responsibility</b>			
<b>B6.2 Number of products and service related complaints received</b>			
Number of complaints from customers		Incidents	1,362
<b>B7. Anti-corruption</b>			
<b>B7.1 Number of corruption litigation cases</b>			
Number of concluded corruption litigation cases brought against the Group or its employees		Cases	0
<b>B8. Community Investment</b>			
<b>B8.2 Resources contributed to the focus area</b>			
Input time		Hour	360
Number of volunteers participating in public welfare activities		Person	6,651

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

Notes to 2022 Social KPIs:

- (1) Number of employees refers to full-time employee including employees of 4 equity companies .
- (2) Employee turnover rate = the number of employees in that category who left in full-year 2022/(total number of employees in that category in full-year 2022 + the number of employees in that category who left in full-year 2022)\*100%.
- (3) Average percentage of employees trained in the relevant category = Total number of employees trained in the specific category/Total number of employees in the specific category \* 100%.
- (4) Average number of hours of training for the relevant category of employees = Total number of hours of training for the specific category of employees/number of employees trained in the specific category.
- (5) Details of suppliers by geographical region:
  - Eastern PRC: Beijing City, Tianjin City, Hebei Province, Shanghai Province, Jiangsu Province, Zhejiang Province, Fujian Province, Shandong Province, Guangdong Province, Hainan Province
  - Central PRC: Shanxi Province, Anhui Province, Jiangxi Province, Henan Province, Hubei Province, Hunan Province
  - Northeast PRC: Liaoning Province, Jilin Province, Heilongjiang Province
  - Western PRC: Inner Mongolia Autonomous Region, Guangxi Zhuang Autonomous Region, Chongqing City, Sichuan Province, Guizhou Province, Yunnan Province, Tibet Autonomous Region, Shaanxi Province, Gansu Province, Qinghai Province, Ningxia Hui Autonomous Region, Xinjiang Uygur Autonomous Region

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

## APPENDIX 3: CONTENT INDEX OF THE ESG REPORTING GUIDE

ESG Indicators	Disclosure	Corresponding Chapters	
<b>Area: Environmental</b>			
<b>A1:Emissions</b>			
General Disclosure	Information on: (a) The policies; and	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A1.1	The types of emissions and respective emissions data	N/A	The Group does not use business vehicles and gas fuel.
A1.2	Direct (Scope 1) and energy indirect (Scope 2) greenhouse gas emissions (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Key Performance Indicators (KPI) in Appendix 2
A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Key Performance Indicators (KPI) in Appendix 2
A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Key Performance Indicators (KPI) in Appendix 2
A1.5	Description of emissions target(s) set and steps taken to achieve them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A1.6	Description of how hazardous and non-hazardous wastes are handled, and a description of reduction target(s) set and steps taken to achieve them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
<b>A2:Use of Resources</b>			
General Disclosure	Policies on the efficient use of resources, including energy, water and other raw materials	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Key Performance Indicators (KPI) in Appendix 2
A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Disclosed	Environmental Key Performance Indicators (KPI) in Appendix 2
A2.3	Description of energy use efficiency target(s) set and steps taken to achieve them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency target(s) set and steps taken to achieve them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.	N/A	The Group is a non-manufacturing enterprise and does not use packaging materials
<b>A3:Environment and Natural Resources</b>			
General Disclosure	Policies on minimising the issuer's significant impacts on the environment and natural resources.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
<b>A4:Climate Change</b>			
General Disclosure	Policies on identification and mitigation of significant climate-related issues which have impacted, and those which may impact, the issuer.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
A4.1	Description of the significant climate-related issues which have impacted, and those which may impact, the issuer, and the actions taken to manage them.	Disclosed	Green Environmental Protection and Practising Low-Carbon Concept
<b>Area: Society</b>			
<b>B1:Employment</b>			
General Disclosure	Information on:		
	(a) The policies; and	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
B1.1	Total workforce by gender, employment type (for example, full- or part-time), age group and geographical region.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B1.2	Employee turnover rate by gender, age group and geographical region.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
<b>B2:Health and Safety</b>			
General Disclosure	Information on:		
	(a) The policies; and	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
B2.1	Number and rate of work-related fatalities occurred in each of the past three years including the reporting year.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B2.2	Lost days due to work injury.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B2.3	Description of occupational health and safety measures adopted, how they are implemented and monitored.	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
<b>B3:Development and Training</b>			
General Disclosure	Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities.	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
B3.1	The percentage of employees trained by gender and employee category (e.g. senior management, middle management).	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B3.2	The average training hours completed per employee by gender and employee category.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
<b>B4:Labour Standards</b>			
General Disclosure	Information on:		
	(a) The policies; and	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
B4.1	Description of measures to review employment practices to avoid child and forced labour	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
B4.2	Description of steps taken to eliminate such practices when discovered.	Disclosed	Inclusive Development to Gather Diversified and Excellent Talents
<b>B5:Supply Chain Management</b>			
General Disclosure	Policies on managing environmental and social risks of the supply chain.	Disclosed	Collaborative Improvement to Build a Culture of Integrity
B5.1	Number of suppliers by geographical region.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B5.2	Description of practices relating to engaging suppliers, number of suppliers where the practices are being implemented, and how they are implemented and monitored.	Disclosed	Collaborative Improvement to Build a Culture of Integrity
B5.3	Description of practices used to identify environmental and social risks along the supply chain, and how they are implemented and monitored.	Disclosed	Collaborative Improvement to Build a Culture of Integrity
B5.4	Description of practices used to promote environmentally-preferable products and services when selecting suppliers, and how they are implemented and monitored.	Disclosed	Collaborative Improvement to Build a Culture of Integrity



# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
<b>B6: Product Responsibility</b>			
General Disclosure	Information on:		
	(a) The policies; and	Disclosed	Ingenious Service to Create Quality Life
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress	Disclosed	Ingenious Service to Create Quality Life
B6.1	Percentage of total products sold or shipped subject to recalls for safety and health reasons.	N/A	/
B6.2	Number of products and service related complaints received and how they are dealt with.	Disclosed	Ingenious Service to Create Quality Life Social Key Performance Indicators (KPI) in Appendix 2
B6.3	Description of practices relating to observing and protecting intellectual property rights.	Disclosed	Ingenious Service to Create Quality Life
B6.4	Description of quality assurance process and recall procedures.	N/A	/
B6.5	Description of consumer data protection and privacy policies, how they are implemented and monitored.	Disclosed	Ingenious Service to Create Quality Life
<b>B7: Anti-corruption</b>			
General Disclosure	Information on:		
	(a) The policies; and	Disclosed	Collaborative Improvement to Build a Culture of Integrity
	(b) Compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering	Disclosed	Collaborative Improvement to Build a Culture of Integrity

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators		Disclosure	Corresponding Chapters
B7.1	Number of concluded legal cases regarding corrupt practices brought against the issuer or its employees during the reporting period and the outcomes of the cases.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2
B7.2	Description of preventive measures and whistle-blowing procedures, how they are implemented and monitored.	Disclosed	Collaborative Improvement to Build a Culture of Integrity
B7.3	Description of anti-corruption training provided to directors and staff.	Disclosed	Collaborative Improvement to Build a Culture of Integrity

## B8: Community Investment

General Disclosure	Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Disclosed	Spreading the Power of Love with Warmth and Kindness
B8.1	Focus areas of contribution (e.g. education, environmental concerns, labour needs, health, culture, sport).	Disclosed	Spreading the Power of Love with Warmth and Kindness
B8.2	Resources contributed (e.g. money or time) to the focus area.	Disclosed	Social Key Performance Indicators (KPI) in Appendix 2

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

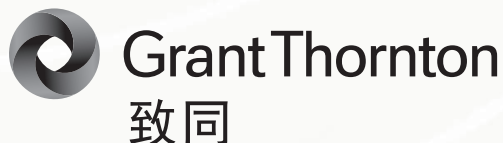
## APPENDIX 4: LIST OF COMPLIANCE WITH MAJOR LAWS, REGULATIONS AND INTERNAL POLICIES

ESG Indicators	Compliance with laws and regulations	Internal policies of C&D International
<b>A. Environment</b>	<p>“Environmental Protection Law of the People’s Republic of China”</p> <p>“Environmental Noise Pollution Prevention and Control Law of the People’s Republic of China”</p> <p>“Law of the People’s Republic of China on Prevention and Control of Air Pollution”</p> <p>“Water Pollution Prevention and Control Law of the People’s Republic of China”</p> <p>“Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste”</p>	<p>“Engineering Technology [2020] No. 2 Energy Saving Control Standard for Public Areas”</p> <p>“Engineering Technology [2020] No. 9 Administrative Measures on Water and Electricity Consumption of C&amp;D Property Service Group Limited”</p> <p>“Energy Saving Control Standard for Public Areas”</p>
<p><b>B1. Employment</b></p> <p><b>B2. Health and Safety</b></p> <p><b>B3. Development and Training</b></p> <p><b>B4. Labor Standards</b></p>	<p>“Labor Law of the People’s Republic of China”</p> <p>“Labor Contract Law of the People’s Republic of China”</p> <p>“Law of the People’s Republic of China on Employment Promotion”</p> <p>“Social Insurance Law of the People’s Republic of China”</p> <p>“Law of the People’s Republic of China on Prevention and Control of Occupational Diseases”</p> <p>“Special Protection Regulations for Juvenile Workers of the People’s Republic of China”</p> <p>“Regulations on the Prohibition of Child Labour”</p> <p>“Law of the People’s Republic of China on Work Safety”</p> <p>“Fire Services Law of the People’s Republic of China”</p> <p>“Regulations of the People’s Republic of China on Work-Related Injury Insurance”</p>	<p>“Human Resources System of C&amp;D Property Service Group Co., Ltd.”</p> <p>“Measures for the Administration of Talent Recommendation and Reward”</p> <p>“Employee Resignation Management Guidelines”</p> <p>“Operation Manual for Property Safety Management”</p> <p>“Management Requirements for Construction Operations in Limited Space of Properties”</p> <p>“Investigation System for Hidden Dangers in Public Areas of C&amp;D Property”</p> <p>“Red and Yellow Card System for Supervision of Safety Bottom Line of C&amp;D Property Group”</p> <p>“Administrative Measures for Performance Appraisal of C&amp;D Property Management Group”</p> <p>“Measures for the Special Reward and Punishment of Property Management for Market Development in 2022”</p> <p>“Reward System for Social Business Operation of C&amp;D Property Service Group Co., Ltd.”</p> <p>“Guidelines on Talent Nurturing and Development Management”</p> <p>“Training Management System of C&amp;D Property Service Group Co., Ltd.”</p> <p>“Management Measures for Employee Examination and Approval”</p> <p>“Internal Trainer Management System”</p>

# ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ESG Indicators	Compliance with laws and regulations	Internal policies of C&D International
<b>B5. Supply Chain Management</b>	<p>"Bidding Law of the People's Republic of China"</p>	<p>"Manual of Supplier Management"</p> <p>"Manual of Tender Procurement Management"</p> <p>"Manual of Procurement Contract Management"</p> <p>"Manual of Procurement Planning Management"</p> <p>"Integrity Undertaking"</p> <p>"Integrity Cooperation Agreement"</p> <p>"Integrity and Law-abiding Undertaking"</p>
<b>B6. Product Responsibility</b>	<p>"Law of the People's Republic of China on Product Quality"</p> <p>"Law of the People's Republic of China on Urban Real Estate Management"</p> <p>"Property Management Regulations"</p> <p>"Law of the People's Republic of China on the Protection of Consumer Rights and Interests"</p> <p>"Cyber Security Law of the People's Republic of China"</p> <p>"Provisions on Protection of Personal Information of Telecommunication and Internet Users"</p> <p>"Advertisement Law of the People's Republic of China"</p> <p>"Trademark Law of the People's Republic of China"</p> <p>"Patent Law of the People's Republic of China"</p> <p>"Copyright Law of the People's Republic of China"</p>	<p>"Guidance Manual for the Full Cycle of Property Project Operation"</p> <p>"Property Project Operation System"</p> <p>"Investigation System for Hidden Dangers in Public Areas of C&amp;D Property"</p> <p>"Red and Yellow Card System for Supervision of Safety Bottom Line of C&amp;D Property Group"</p> <p>"Guidelines for Handling Customer Complaints"</p> <p>"Information Management System of C&amp;D Property Service Group Co., Ltd."</p> <p>"Employee Information Security Guidance Manual of C&amp;D Property Service Group Co., Ltd."</p> <p>"Brand Management System of C&amp;D Property Service Group Co., Ltd."</p> <p>"Publicity Regulations"</p> <p>"Self-media Platform Management Regulations"</p>
<b>B7. Anti-corruption</b>	<p>"Anti-Money Laundering Law of the People's Republic of China"</p> <p>"Anti-unfair Competition Law of the People's Republic of China"</p>	<p>"Integrity and Self-discipline Manual"</p>
<b>B8. Community Investment</b>	<p>"Charity Law of the People's Republic of China"</p>	<p>"Xiamen Charity Federation Administrative Measure for Relief Funds of C&amp;D Group"</p> <p>"Administrative Measures on External Donation of Xiamen C&amp;D Corporation Limited"</p>

# INDEPENDENT AUDITOR’S REPORT



**To the members of C&D Property Management Group Co., Ltd**  
*(incorporated in the British Virgin Islands with limited liability)*

## **OPINION**

We have audited the consolidated financial statements of C&D Property Management Group Co., Ltd (the “Company”) and its subsidiaries (together, the “Group”) set out on pages 145 to 225, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

## **BASIS FOR OPINION**

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSA”) issued by the HKICPA. Our responsibilities under those standards are further described in the “Auditor’s Responsibilities for the Audit of the Consolidated Financial Statements” section of our report. We are independent of the Group in accordance with the HKICPA’s “Code of Ethics for Professional Accountants” (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. The matter was 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.

### ***Expected credit loss ("ECL") allowance on trade receivables***

*Refer to notes 2.10, 4(b) and 20 to the consolidated financial statements.*

#### **The Key Audit Matter**

As at 31 December 2022, the Group had trade receivables amounting to RMB240,823,000, net of ECL allowance amounting to RMB10,301,000.

Trade receivables have been grouped based on shared credit risk characteristics and the past due status. The Group determines the ECL allowance on trade receivables based on an assessment of the risk of default and the expected loss rate. In performing the assessment, the Group considered the credit quality of the customers by considering their historical settlements record, ageing profile, financial position and other factors, and taking into account of current market condition and forward-looking information at each reporting date.

We identified the ECL allowance of trade receivables as a key audit matter due to considerable amounts of judgement and estimation being applied in the assessment of credit risk under the ECL model. These judgements and assumptions including but not limited to the debtors' payment history and creditworthiness, historical default rates, and forward-looking macroeconomic factors.

#### **How the matter was addressed in our audit**

Our audit procedures in relation to the ECL allowance included:

- obtaining understanding on management's assessment on the ECL model of trade receivables, assessing its reasonableness by considering the historical payment records and ageing profile, evaluating adjustment made to the historical loss rates based on current market conditions and forward-looking information with reference to our industry knowledge and market information;
- involving our external valuation expert to evaluate the management's judgements in assessing the valuation methodology;
- testing, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by the management to supporting documents; and
- checking the mathematical accuracy of the calculation of the ECL allowance.

# INDEPENDENT AUDITOR'S REPORT

## OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2022 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

## RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors assisted by the Audit Committee are responsible for overseeing the Group's financial reporting process.

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

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

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's 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.

# INDEPENDENT AUDITOR'S REPORT

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

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

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

We communicate with 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.



# INDEPENDENT AUDITOR'S REPORT

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

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.

### **Grant Thornton Hong Kong Limited**

*Certified Public Accountants*

11th Floor, Lee Garden Two

28 Yun Ping Road

Causeway Bay

Hong Kong

30 March 2023

### **Han Pui Yu**

Practising Certificate No.: P07101

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Revenue</b>	5	<b>2,290,473</b>	1,556,645
Cost of sales		<b>(1,753,477)</b>	(1,167,289)
<b>Gross profit</b>		<b>536,996</b>	389,356
Other income	6	<b>16,516</b>	10,921
Selling and marketing expenses		<b>(7,574)</b>	(3,796)
Administrative and other operating expenses		<b>(287,176)</b>	(212,870)
Provision for expected credit losses allowance on trade and other receivables, net		<b>(4,591)</b>	(468)
Finance income, net	7	<b>71,071</b>	21,509
Share of results of associates		<b>(533)</b>	400
<b>Profit before income tax</b>	8	<b>324,709</b>	205,052
Income tax expense	10	<b>(73,391)</b>	(44,150)
<b>Profit for the year</b>		<b>251,318</b>	160,902
<b>Other comprehensive income</b>			
<i>Item that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of foreign operations		<b>34,020</b>	323
<b>Total comprehensive income for the year</b>		<b>285,338</b>	161,225
<b>Profit for the year attributable to:</b>			
— Equity holders of the Company		<b>247,212</b>	159,374
— Non-controlling interests		<b>4,106</b>	1,528
		<b>251,318</b>	160,902
<b>Profit and total comprehensive income attributable to:</b>			
— Equity holders of the Company		<b>281,232</b>	159,697
— Non-controlling interests		<b>4,106</b>	1,528
		<b>285,338</b>	161,225
<b>Earnings per share attributable to the equity holders of the Company (expressed in RMB per share)</b>			
Basic	12	<b>0.19</b>	0.13
Diluted	12	<b>0.18</b>	0.13

The notes on pages 152 to 225 are an integral part of these consolidated financial statements. Details of dividends payable to equity holders of the Company attributable to the profit for the year are set out on note 11.

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Property, plant and equipment	14	35,572	30,659
Right-of-use assets	15	21,527	21,035
Interests in associates	16	1,337	1,870
Goodwill	17	59,634	30,705
Intangible assets	18	16,564	10,069
Deferred tax assets	26	15,023	7,113
		<b>149,657</b>	101,451
<b>Current assets</b>			
Inventories	19	39,602	12,260
Trade and other receivables	20	358,102	201,467
Amounts due from related parties	23(a)	23,164	–
Income tax recoverable		–	178
Restricted bank deposits	21	32,929	35,887
Cash and cash equivalents	21	2,703,119	2,261,445
		<b>3,156,916</b>	2,511,237
<b>Current liabilities</b>			
Trade and other payables	22	941,180	732,752
Contract liabilities	5(a)	990,085	787,299
Amounts due to related parties	23(b)	126	1,775
Income tax payables		68,963	38,093
Interest-bearing borrowings	24	1,500	–
Lease liabilities	25	3,607	6,284
		<b>2,005,461</b>	1,566,203
<b>Net current assets</b>		<b>1,151,455</b>	945,034
<b>Total assets less current liabilities</b>		<b>1,301,112</b>	1,046,485

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Non-current liabilities</b>			
Interest-bearing borrowings	24	8,500	–
Lease liabilities	25	11,972	7,886
Deferred tax liabilities	26	7,937	7,341
		<b>28,409</b>	15,227
<b>Net assets</b>			
		<b>1,272,703</b>	1,031,258
<b>CAPITAL AND RESERVES</b>			
Share capital	27	11,286	11,286
Reserves	28	1,234,471	1,000,123
<b>Equity attributable to the equity holders of the Company</b>			
Non-controlling interests		26,946	19,849
<b>Total equity</b>			
		<b>1,272,703</b>	1,031,258

\_\_\_\_\_  
**Qiao Haixia**  
Director

\_\_\_\_\_  
**Huang Danghui**  
Director

The notes on pages 152 to 225 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company										
	Share capital	Shares held for restricted shares incentive scheme*	Share premium*	Share-based payment reserve*	Other reserve*	Statutory reserve*	Exchange reserve*	Retained profits*	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(notes 28(d) and 36)	(note 28(e))	(note 28(f))	(note 28(b))	(note 28(a))	(note 28(c))				
Balance at 1 January 2021	9,982	-	-	-	85,775	27,646	207	280,193	403,803	10,850	414,653
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	159,374	159,374	1,528	160,902
Other comprehensive income											
— Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	323	-	323	-	323
Profit and total comprehensive income for the year	-	-	-	-	-	-	323	159,374	159,697	1,528	161,225
Transactions with owners											
— Proceeds from placing of new shares	1,071	-	444,673	-	-	-	-	-	445,744	-	445,744
— Issuing expense of placing of new shares	-	-	(442)	-	-	-	-	-	(442)	-	(442)
— Issuing of restricted shares under Restricted Share Incentive Scheme	233	(56,086)	55,853	-	-	-	-	-	-	-	-
— Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	490	490
— Recognition of share-based payment, net of taxation	-	-	-	2,607	-	-	-	-	2,607	-	2,607
— Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	6,981	6,981
— Appropriation to statutory reserve	-	-	-	-	-	34,589	-	(34,589)	-	-	-
	1,304	(56,086)	500,084	2,607	-	34,589	-	(34,589)	447,909	7,471	455,380
<b>Balance at 31 December 2021</b>	<b>11,286</b>	<b>(56,086)</b>	<b>500,084</b>	<b>2,607</b>	<b>85,775</b>	<b>62,235</b>	<b>530</b>	<b>404,978</b>	<b>1,011,409</b>	<b>19,849</b>	<b>1,031,258</b>

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2022

	Attributable to equity holders of the Company										
	Share capital	Shares held for restricted shares incentive scheme*	Share premium*	Share-based payment reserve*	Other reserve*	Statutory reserve*	Exchange reserve*	Retained profits*	Sub-total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)	(notes 28(d) and 36)	(note 28(e))	(note 28(f))	(note 28(b))	(note 28(a))	(note 28(c))				
Balance at 1 January 2022	11,286	(56,086)	500,084	2,607	85,775	62,235	530	404,978	1,011,409	19,849	1,031,258
Total comprehensive income											
Profit for the year	-	-	-	-	-	-	-	247,212	247,212	4,106	251,318
Other comprehensive income											
— Exchange differences on translation of financial statements of foreign operations	-	-	-	-	-	-	34,020	-	34,020	-	34,020
Profit and total comprehensive income for the year	-	-	-	-	-	-	34,020	247,212	281,232	4,106	285,338
Transactions with owners											
— Disposal of shares held for restricted shares incentive scheme	-	2,449	1,673	-	-	-	-	-	4,122	-	4,122
— Capital contribution from non-controlling interests	-	-	-	-	-	-	-	-	-	2,468	2,468
— Recognition of share-based payment, net of taxation	-	-	-	15,536	-	-	-	-	15,536	-	15,536
— 2021 final dividend approval and paid	-	-	(68,565)	-	-	-	-	-	(68,565)	-	(68,565)
— Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(847)	(847)
— Change in ownership interests in subsidiaries without change of control	-	-	-	-	2,023	-	-	-	2,023	1,370	3,393
	-	2,449	(66,892)	15,536	2,023	-	-	-	(46,884)	2,991	(43,893)
Balance at 31 December 2022	11,286	(53,637)	433,192	18,143	87,798	62,235	34,550	652,190	1,245,757	26,946	1,272,703

\* The total of these amounts as at the reporting date represent “Reserves” in the consolidated statement of financial position.

The notes on pages 152 to 225 are an integral part of these consolidated financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Cash flows from operating activities</b>			
Profit before income tax		<b>324,709</b>	205,052
Adjustments for:			
Depreciation of property, plant and equipment	8	<b>8,537</b>	7,290
Depreciation of right-of-use assets	8	<b>9,254</b>	5,852
Amortisation of intangible assets	8	<b>3,321</b>	1,417
Written off of property, plant and equipment	8	<b>381</b>	258
Written off of intangible assets	8	<b>24</b>	–
Provision for ECL allowance on trade and other receivables, net	8	<b>4,591</b>	468
Gain on early termination of leases	8	<b>(75)</b>	–
Interest expense	7	<b>645</b>	604
Interest income	7	<b>(71,716)</b>	(22,113)
Share of results of associates		<b>533</b>	(400)
Share-based payment expenses	8	<b>15,039</b>	2,607
Operating cash flows before working capital changes		<b>295,243</b>	201,035
Increase in inventories		<b>(27,334)</b>	(10,121)
Increase in trade and other receivables		<b>(154,108)</b>	(62,414)
Increase in trade and other payables		<b>231,583</b>	216,604
Increase in contract liabilities		<b>200,475</b>	599,955
Decrease/(Increase) in restricted bank deposits		<b>2,958</b>	(15,668)
Cash generated from operations		<b>548,817</b>	929,391
Income tax paid		<b>(53,066)</b>	(42,865)
<b>Net cash from operating activities</b>		<b>495,751</b>	886,526

# CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(13,664)	(10,426)
Purchase of intangible assets		(3,476)	(121)
Investments in associates		–	(1,470)
(Decrease)/Increase in amounts due from related parties		(23,164)	31
Interest received		71,716	22,113
Net cash outflow on acquisition of a subsidiary	34	(25,504)	(13,625)
<b>Net cash from/(used in) investing activities</b>		<b>5,908</b>	<b>(3,498)</b>
<b>Cash flows from financing activities</b>			
Capital contribution from non-controlling interests		2,468	490
Proceeds from restricted shares forfeited		4,122	–
Proceeds from interest-bearing borrowings	33	10,000	–
Proceeds from placing shares		–	445,744
Proceeds from issuance of restricted shares under Restricted Share Incentive Scheme		–	56,086
Payment of issuance expense		–	(442)
Repayments to related parties	33	(1,649)	(3,558)
Dividends paid	11	(68,565)	–
Dividends paid to non-controlling interests		(847)	–
Interest paid	33	(645)	(604)
Payments of lease liabilities	33	(8,262)	(5,458)
Proceed from disposal of ownership interests in subsidiaries without change of control		3,393	–
<b>Net cash (used in)/from financing activities</b>		<b>(59,985)</b>	<b>492,258</b>
<b>Net increase in cash and cash equivalents</b>		<b>441,674</b>	<b>1,375,286</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>2,261,445</b>	<b>886,159</b>
<b>Cash and cash equivalents at end of year, represented by bank balances and cash</b>		<b>2,703,119</b>	<b>2,261,445</b>

The notes on pages 152 to 225 are an integral part of these consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 1. GENERAL INFORMATION

C&D Property Management Group Co., Ltd (the “Company”) was incorporated as a company with limited liability in the British Virgin Islands (“BVI”) on 4 May 2016. The address of the registered office of the Company is 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Room 3517, 35/F, Wu Chung House, 213 Queen’s Road East, Wan Chai, Hong Kong.

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of property management services, community value-added and synergy services, the value-added services to non-property owners and commercial property operation management services in the People’s Republic of China (“China” or the “PRC”).

On 31 December 2020, the Company has its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company’s immediate holding company is C&D International Investment Group Limited (“C&D International”), a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange; C&D Real Estate Corporation Limited\* (建發房地產集團有限公司) (“C&D Real Estate”) which was incorporated in the PRC with limited liability is the Company’s intermediate holding company, whereas the directors of the Company regard Xiamen C&D Corporation Limited\* (廈門建發集團有限公司) (“Xiamen C&D”), a state-owned enterprise incorporated in the PRC with limited liability, as the Company’s ultimate holding company and controlling party (the “Controlling Shareholder”).

\* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the Board of Directors on 30 March 2023.

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### 2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The significant accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of amended HKFRSs and issued but not yet effective HKFRSs and the impacts on the consolidated financial statement of the Group, if any, are disclosed in note 3.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.1 Basis of preparation *(Continued)*

The consolidated financial statements have been prepared under the historical cost convention. The Company's functional currency is Hong Kong Dollars ("HK\$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the transactions of the principal activities in the PRC are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of RMB ("RMB'000") unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in note 4.

### 2.2 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to 31 December each year.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. When assessing whether the Group has power over the entity, only substantive rights relating to the entity (held by the Group and others) are considered.

The Group includes the income and expenses of a subsidiary in the consolidated financial statements from the date it gains control until the date when the Group ceases to control the subsidiary.

Non-controlling interests in the results and equity of subsidiaries are presented separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

#### (i) *Business combinations under common control*

The consolidated financial statements incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Basis of consolidation *(Continued)*

#### *(i) Business combinations under common control (Continued)*

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

#### *(ii) Business combinations not under common control*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference, after reassessment, is recognised directly 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 re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.2 Basis of consolidation *(Continued)*

#### *(iii) Change in ownership interests*

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised 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 recognised 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 recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

#### *(iv) Separate financial statements*

Investment in a subsidiary is accounted for at cost less impairment loss. 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 investment in a subsidiary 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 of the investee's net assets including goodwill in the consolidated statement of financial position.

### 2.3 Associates

An associate is an entity over which the Group has significant influence, which is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

In the consolidated financial statements, investments in associates are initially recognised at cost and subsequently accounted for using the equity method. Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. The cost of acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed and equity instruments issued by the Group, plus any costs directly attributable to the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in the determination of the Group's share of the associate's profit or loss in the period in which the investment is acquired.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.3 Associates *(Continued)*

Under the equity method, the Group's interest in associate is carried at cost and adjusted for the post-acquisition changes in the Group's share of the associate's net assets less any identified impairment loss, unless it is classified as held for sale (or included in a disposal group that is classified as held for sale). The profit or loss for the year includes the Group's share of the post-acquisition, post-tax results of the associate and any impairment loss on the investment in associate recognised for the year.

Unrealised gains on transactions between the Group and its associate is eliminated to the extent of the Group's interest in associate.

Where the associate uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate's accounting policies to those of the Group when the associate's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the reporting date whether there is any objective evidence that the investment in the associate is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate and its carrying value and recognises the amount adjacent to share of result from associate in profit or loss.

The Group discontinues the use of equity method from the date when it ceases to have significant influence over an associate. If the retained interest in that former associate is a financial asset, the retained interest is measured at fair value, which is regarded as its fair value on initial recognition as a financial asset in accordance with HKFRS 9 "Financial Instruments" ("HKFRS 9"). The difference between (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate; and (ii) the carrying amount of the investment at the date the equity method was discontinued, is recognised in the profit or loss. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would have been required if the associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by the investee would be reclassified to profit or loss on the disposal of the related assets or liabilities, the entity reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.4 Foreign currency translation

(a) *Functional and presentation currency*

Items included in the individual financial statements of each of the entities within the Group are measured using the currency of the primary economic environment in which the entity operates (the “functional currency”).

(b) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rate of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated (i.e. only translated using the exchange rates at the transaction date).

(c) *Group companies*

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss and other comprehensive income are translated at average exchange rates (unless this average rate 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 rate on the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated separately in “Exchange reserve” in equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.5 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses (see note 2.20). Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation on items of property, plant and equipment is provided to write off the cost over their estimated useful lives, using the straight-line method, at the following rates per annum:

Leasehold improvement	12.50% to 33.33%
Furniture, fixtures and office equipment	20% to 50%
Motor vehicles	12.50% to 33.33%

The assets' depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the reporting date.

Gain or loss arising on retirement or disposal is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised 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 derecognised. All other costs, such as repairs and maintenance, are charged to profit or loss during the financial period in which they are incurred.

### 2.6 Goodwill

Goodwill arising on a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the aggregate of the fair value of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the Group's previously held equity interest in the acquiree, if any, over the Group's interest in the net fair value of the acquiree's identifiable assets and liabilities measured as at the acquisition date.

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

Goodwill is stated at cost less accumulated impairment losses (see note 2.20). Goodwill arising on a business combination is allocated to each cash-generating unit or groups of cash-generating units, which is expected to benefit from the synergies of the combination and is tested at least annually for impairment. In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interests in associates (see note 2.3). On disposal of a cash-generating unit or an associate, any attributable amount of goodwill is included in the calculation of the gain or loss on disposal.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.7 Intangible assets (other than goodwill)

Acquired intangible assets are capitalised on the basis of the costs incurred to acquire and bring to use the specific intangible assets. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses (see note 2.20).

Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Amortisation commences when the intangible assets are available for use. The following useful lives are applied:

Computer software	5 years
Customers relationships	2 to 5 years

The assets' amortisation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Intangible assets are tested for impairment as described below in note 2.20.

### 2.8 Financial instruments

#### *Recognition and derecognition*

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instruments.

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all of its risks and rewards are transferred. A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

#### *Financial assets*

##### ***Classification and initial measurement of financial assets***

Except for those trade receivables that do not contain a significant financing component and are measured at the transaction price in accordance with HKFRS 15 "Revenue from Contracts with Customers" ("HKFRS 15"), all financial assets are initially measured at fair value, in case of a financial asset not at fair value through profit or loss ("FVTPL"), plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the consolidated statement of profit or loss and other comprehensive income.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.8 Financial instruments *(Continued)*

*Financial assets (Continued)*

#### **Classification and initial measurement of financial assets** *(Continued)*

Financial assets, other than those designated and effective as hedging instruments, are classified into the following categories:

- amortised cost; or
- FVTPL.

The classification is determined by both:

- the entity's business model for managing the financial asset; and
- the contractual cash flow characteristics of the financial asset.

All income and expenses relating to financial assets that are recognised in profit or loss are presented within "Finance income, net", except for provision for expected credit losses ("ECL") allowance of trade and other receivables which is presented as a separate line item in the consolidated statement of profit or loss and other comprehensive income.

#### **Subsequent measurement of financial assets**

##### **Debt investments**

###### Financial assets at amortised cost

Non-equity investments held by the Group are classified into amortised cost, if the investment is held within a business model whose objective is to hold the investment and collect its contractual cash flows and the contractual terms of the investment give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding. Interest income from the investment is calculated using the effective interest method (note 2.18).

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in "Finance income, net" in profit or loss. Discounting is omitted where the effect of discounting is immaterial. The Group's cash and cash equivalents, restricted bank deposits, amounts due from related parties and trade and other receivables (excluding prepayments, value-added tax receivables and other tax recoverable) and the Company's amounts due from subsidiaries and deposits fall into this category of financial assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.8 Financial instruments *(Continued)*

*Financial liabilities*

#### **Classification and measurement of financial liabilities**

The Group's financial liabilities include trade and other payables (excluding value-added tax payable, other tax payable and payable in relation to the restricted shares incentive scheme), amounts due to related parties, lease liabilities and interest-bearing borrowings. They are separately shown on the face of the consolidated statement of financial position.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated and effective as hedging instruments and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges are recognised in accordance with the Group's accounting policy for borrowing costs (see note 2.22).

Accounting policies of lease liabilities is set out in note 2.14.

#### **Interest-bearing borrowings**

Interest-bearing borrowings are recognised initially at fair value, net of transaction costs incurred. Interest-bearing borrowings are subsequently stated at amortised cost, any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the interest-bearing borrowings using the effective interest method.

Interest-bearing borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

#### **Other financial liabilities**

Other financial liabilities including trade and other payables and amounts due to related parties, which are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

### 2.9 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the assets and settle the liabilities 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 Group or the counterparty.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Impairment of financial assets

HKFRS 9's impairment requirements use forward-looking information to recognise ECL — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost and trade receivables.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

- financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1") and
- financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the reporting date.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of expected credit losses over the expected life of the financial asset.

#### *Trade receivables*

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the reporting date. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators of the trade receivables with similar credit risk characteristics, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the past due status.

#### *Other financial assets measured at amortised cost*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.10 Impairment of financial assets *(Continued)*

*Other financial assets measured at amortised cost (Continued)*

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

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

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

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 365 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the foregoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

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

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 37.2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.11 Inventories

#### (a) *Inventories*

Inventories, comprising finished goods and construction materials, are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

When inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

#### (b) *Other contract costs*

Other contract costs are the costs to fulfil a contract with a customer which are not capitalised as inventories (note 2.11(a)), property, plant and equipment (note 2.5) or intangible asset (note 2.7).

Costs to fulfil a contract are capitalised if the costs relate directly to an existing contract or to a specifically identifiable anticipated contract; generate or enhance resources that will be used to provide goods or services in the future; and are expected to be recovered. Costs that relate directly to an existing contract or to a specifically identifiable anticipated contract may include direct labour, direct materials, allocations of costs, costs that are explicitly chargeable to the customer and other costs that are incurred only because the Group entered into the contract (for example, payments to sub-contractors). Other costs of fulfilling a contract, which are not capitalised as inventories, property, plant and equipment or intangible assets, are expensed as incurred.

Capitalised contract costs are stated at cost less accumulated amortisation and impairment losses. Impairment losses are recognised to the extent that the carrying amount of the contract cost asset exceeds the net of (i) remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates, less (ii) any costs that relate directly to providing those goods or services that have not yet been recognised as expenses.

Amortisation of capitalised contract costs is charged to profit or loss when the revenue to which the asset relates is recognised. The accounting policy for revenue recognition is set out in note 2.17.

### 2.12 Cash and cash equivalents

Cash and cash equivalents include cash at banks and on hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are assessed for ECLs in accordance with the policy set out in note 2.10.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.13 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue (see note 2.17). A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised (see note 2.8). For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

### 2.14 Leases

#### *Definition of a lease and the Group as a lessee*

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;
- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and
- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assesses whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

#### ***Measurement and recognition of leases as a lessee***

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the lease commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.14 Leases *(Continued)*

*Definition of a lease and the Group as a lessee (Continued)*

#### **Measurement and recognition of leases as a lessee** *(Continued)*

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable payments based on an index or rate, and amounts expected to be payable under a residual value guarantee. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit or loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of twelve months or less.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

### 2.15 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the reporting date and adjusted to reflect the current best estimate.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.16 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued. Any transaction costs associated with the issuing of shares are deducted from share premium (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

### 2.17 Revenue recognition

The Group provides property management services, community value-added and synergy services, value-added services to non-property owners and commercial property operation management services.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer
2. Identifying the performance obligations
3. Determining the transaction price
4. Allocating the transaction price to the performance obligations
5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

#### *Property management services*

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

For property management services income from properties managed on a 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 recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management services income from properties managed on a commission basis, the Group recognises the commission, which is calculated by certain percentage of the total property management fee received or receivable from the property owners, or total property management cost incurred or accrual by the property owners, as its revenue for arranging and monitoring the services as provided by other suppliers to the property owners.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.17 Revenue recognition *(Continued)*

#### *Community value-added and synergy services*

Community value-added and synergy services mainly include (i) home living services to property owners and residents, such as housekeeping and cleaning services, repair and maintenance services and group-purchasing services, which are charged for each service provided and recognised when the relevant services are rendered; (ii) home beauty services, providing turn-key move-in services with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation, which is recognised over the time when such services are rendered; (iii) commission income from real estate brokerage and asset management services for secondary sales and rental of properties and/or car parking spaces, which is billed to property owners and third parties immediately upon the services are provided and is recognised on a net basis at point in time; (iv) revenue from valued-added services for public areas, such as leasing out public area and advertising spots and temporary parking management, which is recognised over the time when such services are rendered; (v) revenue from elderly-care and health value-added service through operation of an elderly-care centre, which is recognised over time with reference to the detailed terms of transactions as stipulated in the contracts entered into with its customers and counterparties; (vi) smart community services mainly include design, construction operation and maintenance of smart property management systems and sales of intelligent equipment and software as part of the design and construction services of smart property management system. Revenue from smart community services is recognised over time as the Group's performance creates or enhances an assets that the customer controls. The progress towards complete satisfaction of performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the services transferred to the customer to date relative to the remaining service promised under the contract, that best depict the Group's performance in transferring control of services. The value of the services transferred to customer to date is measured according to the progress certificate (by reference to the engineering works certified by the customers or their agents). Revenue from the sale of intelligent hardware devices and software for a fixed fee is recognised at point in time when (or as) the Group transfers control of the assets to the customer.

#### *Value-added services to non-property owners*

Value-added services to non-property owners mainly includes (i) reception, order maintenance and cleaning services, such as visitor reception, security and order maintenance, daily utilities and maintenance services and assistance on the pre-sales activities at the pre-sales centre, which are billed on a monthly basis and revenue is recognised over time as the customers simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs; and (ii) consultancy services, which are billed based on the pre-determined price calculated under estimated cost plus method and revenue is recognised over time when the services are provided.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.17 Revenue recognition *(Continued)*

#### *Commercial property operation management services*

The Group charges pre-opening management service fees at a fixed rate per square metre of project management area per annum. The Group collects fees from providing post-opening operation management services typically as a certain percentage/rate of the operating profit/square metre of the relevant project management area. Revenue from commercial property operation management services is recognised in the amount to which the Group has a right to invoice that corresponds directly with the value of performance completed and revenue is recognised over time when the services are provided.

### 2.18 Interest income

Interest income is recognised on a time-proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

### 2.19 Government grants

Grants from the government are recognised 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 are deferred and recognised in profit or loss over the period necessary to match them with the costs that the grants are intended to compensate.

Government grants relating to income is presented in gross under "Other income" in the consolidated statement of profit or loss and other comprehensive income.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.20 Impairment of non-financial assets

Property, plant and equipment, right-of-use assets, goodwill, intangible assets and interest in a subsidiary in the statement of financial position of the Company are subject to impairment testing.

Goodwill is tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash-generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.21 Employee benefits

#### *Retirement benefit*

In accordance with the rules and regulations in the PRC, the PRC based employees of the Group participate in various defined contributions retirement benefit plans organised by the relevant municipal and provincial governments in the PRC under which the Group and the PRC based employees are required to make monthly contributions to these plans calculated as a percentage of the employees' salaries, subject to a certain ceiling.

The municipal and provincial governments undertake to assure the retirement benefit obligations of all existing and future retired PRC based employees payable under the plans described above. Other than the monthly contributions, the Group has no further obligation for the payment of retirement and other post-retirement benefits of its employees. The assets of these plans are held separately from those of the Group in independent administrated funds managed by the PRC government.

The Group's contributions to the defined contribution retirement scheme are expensed as incurred.

#### *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 at the reporting date.

Contributions to the housing funds, medical insurances and other social insurances are expensed as incurred.

#### *Short-term employee benefits*

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulative compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.22 Borrowing costs

Borrowing costs are expensed when incurred.

### 2.23 Accounting for income tax

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at each reporting date between the carrying amounts of assets and liabilities in the consolidated financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at each reporting date.

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if:

- (a) the Group has the legally enforceable right to set off the recognised amounts; and
- (b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.23 Accounting for income tax *(Continued)*

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if:

- (a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and
- (b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:
  - (i) the same taxable entity; or
  - (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### 2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker (“CODM”) (i.e. executive directors), who is responsible for allocating resources and assessing performance of the operating segments.

### 2.25 Dividend distribution

Dividend distribution to the Company’s shareholders is recognised as a liability in the period which the dividends are approved by the Company’s shareholders or board of directors, where appropriate.

### 2.26 Share-based employee compensation

The Group operates Restricted Shares Incentive Scheme (the “Restricted Shares Incentive Scheme”), which is an equity-settled share-based compensation plan under which restricted shares are granted to employees of the Group (including the directors) as part of their remuneration package.

The amount to be expensed as share-based payment expense is determined by reference to the fair value of the restricted shares granted, taking into account all non-vesting conditions associated with the grants on grant date. The total expense is recognised on a straight-line basis over the relevant vesting periods, with a corresponding credit to a “Share-based payment reserve” under equity.

For those restricted shares which are amortised over the vesting periods, the Group revises its estimates of the number of restricted shares that are expected to ultimately vest based on the vesting conditions at each reporting date. Any resulting adjustment to the cumulative fair value recognised in prior years is charged/credited to share-based payment expense in the current year, with a corresponding adjustment to the share-based payment reserve.

For grant of restricted shares, shares held by the Group’s trustee are disclosed as “Shares held for restricted shares incentive scheme” and deducted from equity.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

### 2.27 Related parties

For the purpose of the consolidated financial statements, a party is considered to be related to the Group if:

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

### Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendment to HKFRS 3	Reference to the Conceptual Framework
Amendments to HKAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRS Standards 2018–2020
Accounting Guideline 5 (Revised)	Merger Accounting for Common Control Combination

The adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

### Issued but not yet effective HKFRSs

The Group has not early applied the following new and amended HKFRSs which have been issued but are not yet effective:

HKFRS 17	Insurance Contract and related amendments <sup>1</sup>
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture <sup>3</sup>
Amendment to HKFRS 16	Lease Liability in a Sale and Leaseback <sup>2</sup>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 <sup>2</sup>
Amendments to HKAS 1	Non-current Liabilities with Covenants <sup>2</sup>
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies <sup>1</sup>
Amendments to HKAS 8	Definition of Accounting Estimates <sup>1</sup>
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction <sup>1</sup>

<sup>1</sup> Effective for annual periods beginning on or after 1 January 2023

<sup>2</sup> Effective for annual periods beginning on or after 1 January 2024

<sup>3</sup> Effective date to be determined

The directors anticipate that all of the new and amended HKFRSs will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the new and amended HKFRSs. Information on new and amended HKFRSs that are expected to have impact on the Group's accounting policies is provided below. Other new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES *(Continued)*

### **Issued but not yet effective HKFRSs** *(Continued)*

#### *Amendments to HKAS 1 and HKFRS Practice Statement 2 “Disclosure of Accounting Policies”*

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 “Making Materiality Judgements” to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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) Critical accounting judgements**

#### *Current and deferred income taxes*

As detailed in note 10 to the consolidated financial statements, the Group is subject to corporate income tax in the PRC. Judgement is required in determining the amount of the provision for taxation and the timing of payment of the related taxations. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers to be probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The outcome of their actual utilisation may be different. As at 31 December 2022, the carrying amounts of deferred tax assets are RMB15,023,000 (2021: RMB7,113,000). Details of deferred tax assets are set out in note 26 to the consolidated financial statements.

Deferred tax liabilities have not been recognised as at 31 December 2022 in respect of temporary differences relating to the post-2007 undistributed profits of the PRC subsidiaries of approximately RMB704,553,000 (2021: RMB445,312,000) as the Company controls the dividend policy of these subsidiaries and it has been determined that it is probable that these profits will not be distributed in the foreseeable future.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (a) Critical accounting judgements *(Continued)*

*Control over Zhangzhou Yijiyuan Chengtou Property Management Company Limited\** 漳州怡家園城投物業服務有限公司 (“Zhangzhou Yijiyuan Chengtou”)

Although the Group only holds 50% equity interests in Zhangzhou Yijiyuan Chengtou, the Group has the power to appoint and remove the majority members of the board of directors of Zhangzhou Yijiyuan Chengtou and holds more than half of the voting rights by virtue of an agreement with other investors. The management of the Group considered that the Group has sufficiently dominant voting interest to direct the relevant activities of Zhangzhou Yijiyuan Chengtou and therefore has control over Zhangzhou Yijiyuan Chengtou. As a result, Zhangzhou Yijiyuan Chengtou is classified as a subsidiary of the Company.

\* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

*Estimation of fair value of customers relationships and recognition of goodwill arising from business combinations*

Significant judgements and estimates were involved in the fair value assessment of customers relationships and recognition of goodwill arising from business combinations. These significant judgements and estimates include the adoption of appropriate valuation methodologies and the use of key assumptions in the valuation (mainly including the average annual and long-term growth rates of revenue, profit margin, discount rates and expected useful lives of the property management contracts and customers relationships). Changes in assumptions relating to these factors could result in material adjustments to the carrying amounts of customers relationships and goodwill. See notes 18 and 17 respectively for more details.

### (b) Key sources of estimation uncertainties

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

*Estimation of impairment of trade and other receivables (excluding prepayments, value-added tax receivables and other tax recoverable), and amounts due from related parties within the scope of ECL under HKFRS 9*

The Group follows the guidance of HKFRS 9 to makes allowances on items subjects to ECL including trade and other receivables (excluding prepayments, value-added tax receivables and other tax recoverable), and amounts due from related parties, based on assumptions about risk of default and expected loss rates. The Group uses judgement 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 each reporting date as set out in note 2.10. Where the expectation is different from the original estimate, such difference will impact the carrying amounts of trade and other receivables, and amounts due from related parties and provision for impairment in the periods in which such estimate has been changed.

As at 31 December 2022, the carrying amounts of trade and other receivables (excluding prepayments, value-added tax receivables and other tax recoverable) and amounts due from related parties are RMB314,658,000 (2021: RMB185,526,000) and RMB23,164,000 (2021: RMB Nil), respectively. Details of the provision for ECL allowance of trade and other receivables and amounts due from related parties are set out in notes 20 and 23(a) respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

### (b) Key sources of estimation uncertainties *(Continued)*

*Estimation of impairment of property, plant and equipment, right-of-use assets and intangible assets*  
Property, plant and equipment, right-of-use assets and intangible assets are stated at costs less accumulated depreciation or amortisation and impairment loss, if any. In determining whether an asset is impaired, the Group has to exercise judgement and make estimation, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset (including right-of-use assets), the Group estimates the recoverable amount of the cash-generating unit to which the assets belongs. Changing the assumptions and estimates, including the discount rates or the growth rate in the cash flow projections, could materially affect the net present value of future cash flows projections, used in the impairment test. The carrying amounts of property, plant and equipment, right-of-use assets and intangible assets at the reporting date are set out in notes 14, 15 and 18 to the consolidated financial statements respectively.

#### *Estimation impairment of goodwill*

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.20. The recoverable amounts of cash-generating unit have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions as stated in note 17. These estimates and assumptions relate to future events and circumstances and the actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. As at 31 December 2022, the net carrying amount of goodwill is RMB59,634,000 (2021: RMB30,705,000). No impairment was provided during the years ended 31 December 2022 and 2021 (note 17).

#### *Depreciation charges of property, plant and equipment and amortisation of intangible assets*

Property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value, if any. Intangible assets are amortised on a straight-line basis over the estimated useful lives of the assets. The Group reviews the estimated useful lives of the assets regularly in order to determine the amount of depreciation and amortisation expenses to be recorded during the year. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The carrying amounts of property, plant and equipment and intangible assets at each reporting date are set out in notes 14 and 18 to the consolidated financial statements.

#### *Determination of the lease term in lease contracts*

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension options, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated), which in turn affect the carrying amounts of lease liabilities. During the years ended 31 December 2022 and 2021, all extension options in leases of office premises, car parks and staff quarters have not been included in the calculation of lease liabilities.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by 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 Group.

During the years ended 31 December 2022 and 2021, the Group is principally engaged in the provision of property management services, commercial property operation management services and value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is monitored to make strategic decision.

Revenue mainly comprises proceeds from property management services, commercial property operation management services and value-added services. An analysis of the Group's revenue by category for the year ended 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
<b>Revenue from customers and recognised over time</b>		
Property management services	1,036,175	758,618
Commercial property operation management services	24,043	–
Value-added services		
— Community value-added and synergy services	281,943	131,845
— Value-added services to non-property owners	754,471	544,047
	<b>2,096,632</b>	1,434,510
<b>Revenue from customers and recognised at point in time</b>		
Community value-added and synergy services	193,841	122,135
	<b>2,290,473</b>	1,556,645

### Information about major customers

For the year ended 31 December 2022, revenue from entities controlled by Xiamen C&D and its associates contributed to 37.5% (2021: 39.2%) of the Group's revenue. Other than entities controlled by Xiamen C&D and associates of Xiamen C&D, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### Geographical information

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years ended 31 December 2022 and 2021. As at 31 December 2022 and 2021, substantially all of the specified non-current assets (other than deferred tax assets) of the Group were located in the PRC.

#### (a) Contract liabilities

The Group recognises the following revenue-related contract liabilities:

	2022 RMB'000	2021 RMB'000
Property management services	262,506	184,140
Community value-added and synergy services	722,625	603,159
Value-added services to non-property owners	4,713	–
Commercial property operation management services	241	–
	<b>990,085</b>	787,299

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

#### (b) Revenue recognised in relation to contract liabilities

The following table shows the revenue recognised during the year ended 31 December 2022 related to carried-forward contract liabilities:

	2022 RMB'000	2021 RMB'000
<b>Revenue recognised that was included in contract liabilities at the beginning of the year</b>		
Property management services	184,030	127,248
Community value-added and synergy services	70,690	50,007
	<b>254,720</b>	177,255

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 5. REVENUE AND SEGMENT INFORMATION *(Continued)*

### (c) *Unsatisfied performance obligations*

For property management services and commercial property operation management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. For value-added services to non-property owners, the Group expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period.

For community value-added and synergy services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2022 is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	775,793	80,343
More than one year	92,225	588,263
	<b>868,018</b>	668,606

## 6. OTHER INCOME

	2022 RMB'000	2021 RMB'000
Government subsidy income (note)	13,763	10,137
Sundry income	2,678	784
Gain on early termination of leases	75	–
	<b>16,516</b>	10,921

Note:

The amounts represent the subsidies received from the local government bureau in the PRC regarding value-added tax refund, unemployment insurance refunds and subsidies for the operation of elderly-care centre. There were no unfulfilled conditions and other contingencies attached to the receipt of the subsidies.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 7. FINANCE INCOME, NET

	2022 RMB'000	2021 RMB'000
Interest income on deposit to related parties (note 32)	46,166	–
Interest income on bank deposit	25,550	22,113
<b>Finance income</b>	<b>71,716</b>	22,113
Interest charges on lease liabilities	(622)	(604)
Interest charges on interest-bearing borrowings	(23)	–
<b>Finance costs</b>	<b>(645)</b>	(604)
<b>Finance income, net</b>	<b>71,071</b>	21,509

## 8. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

	2022 RMB'000	2021 RMB'000
Auditor's remuneration		
— Audit services	1,010	830
— Non-audit services	112	116
Cost of inventories (note)	115,226	40,433
Depreciation of property, plant and equipment (note 14)	8,537	7,290
Depreciation of right-of-use assets (note 15)	9,254	5,852
Amortisation of intangible assets (note 18)	3,321	1,417
Written off of property, plant and equipment	381	258
Written off of intangible assets	24	–
Government subsidy income	(13,763)	(10,137)
Provision for ECL allowance on trade and other receivables, net	4,591	468
Gain on early termination of leases	(75)	–
Lease charges on short-term leases	9,649	15,598
Equity-settled share-based payment (note 36)	15,039	2,607

Note:

During the year ended 31 December 2022, the cost of inventories recognised as expenses and included in "Cost of sales" amounted to approximately RMB109,987,000 (2021: RMB23,777,000).

Other contract costs are recognised as expenses and included in "Cost of sales" in the consolidated statement of profit or loss and other comprehensive income in the year in which revenue is recognised. The amount of capitalised costs recognised in profit or loss during the year ended 31 December 2022 was RMB5,239,000 (2021: RMB16,656,000). There was no impairment in relation to the costs capitalised during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 9. EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2022 RMB'000	2021 RMB'000
Salaries, bonus and allowances	1,162,242	778,663
Equity-settled share-based payment	15,039	2,607
Retirement benefit scheme contributions	72,496	69,019
	<b>1,249,777</b>	850,289

## 10. INCOME TAX EXPENSE

	Note	2022 RMB'000	2021 RMB'000
<b>Current income tax</b>			
PRC Enterprise Income Tax ("EIT")		82,196	48,585
Over-provision in respect of prior year		(2,548)	(810)
		<b>79,648</b>	47,775
<b>Deferred tax</b>	26	<b>(6,257)</b>	(3,625)
<b>Total income tax expense</b>		<b>73,391</b>	44,150



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 10. INCOME TAX EXPENSE (Continued)

The difference between the actual income tax charge in the consolidated statement of profit or loss and comprehensive income and the amount which would result from applying the enacted tax rate to profit before income tax can be reconciled as follows:

	2022 RMB'000	2021 RMB'000
<b>Profit before income tax</b>	<b>324,709</b>	205,052
Tax on profit before income tax calculated at the rates applicable to profit in the tax jurisdictions concerned	<b>74,353</b>	44,526
Tax effect on non-deductible expenses	<b>1,032</b>	2,495
Tax effect on non-taxable income	<b>(150)</b>	(2,519)
Tax effect on unrecognised tax losses	<b>1,524</b>	634
Utilisation of tax loss previously not recognised	<b>(820)</b>	(195)
Over-provision in respect of prior year	<b>(2,548)</b>	(810)
Recognition of withholding tax in current year	–	19
<b>Income tax expense</b>	<b>73,391</b>	44,150

Notes:

(a) BVI Income tax

Pursuant to the relevant rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the years ended 31 December 2022 and 2021.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2022 and 2021.

(c) PRC EIT

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2022 and 2021.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% from 1 January 2022 to 31 December 2022. The portion of annual taxable income amount, which does not exceed RMB1,000,000, shall be included in its taxable income at the reduced rate of 12.5%, with the applicable EIT rate of 20%. The portion of annual taxable income, which exceeds RMB1,000,000 but does not exceed RMB3,000,000, shall be included in its taxable income at the reduced rate of 25%, with the applicable EIT rate of 20%.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 11. DIVIDEND

The board recommends the payment of a final dividend of HK\$0.1 per share totalling HK\$134,331,000 (equivalent to RMB119,994,000) for the year ended 31 December 2022 (2021: HK\$80,176,000 (equivalent to RMB65,552,000)). Eligible Shareholders will have the option to receive the final dividend all in new shares, partly in new shares and partly in cash, or all in cash. The dividend is subject to the approval of shareholders at the forthcoming annual general meeting. Final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

## 12. EARNINGS PER SHARE

### (a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years 31 December 2022 and 2021. The earnings per share is calculated using the weighted average number of ordinary shares of 1,308,321,298 (2021: 1,184,437,681) shares issued during the year as follows:

	2022	2021
Profit for the year attributable to equity holders of the Company (RMB'000)	247,212	159,374
Weighted average number of ordinary shares in issue (thousands)	1,308,321	1,184,438
Basic earnings per share (RMB)	0.19	0.13

### (b) Diluted earnings per share

The restricted shares granted by the Company have potential dilutive effect on earnings per share. Diluted earnings per shares is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption on the conversion of all potential dilutive shares arising from restricted shares granted by the Company (collectively forming the denominator for computing the diluted earnings per share).

	2022	2021
Profit for the year attributable to equity holders of the Company (RMB'000)	247,212	159,374
Weighted average number of ordinary shares in issue (thousands)	1,308,321	1,184,438
Adjustments for restricted shares (thousands)	34,150	–
Weighted average number of ordinary shares for the calculation of diluted earnings per shares (thousands)	1,342,471	1,184,438
Diluted earnings per share (RMB)	0.18	0.13

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS

### (a) Directors' remuneration

Directors' and chief executive's emoluments, disclosed pursuant to the Listing Rules, section 383(1) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

Name of director	Notes	Fees RMB'000	Basic salaries and allowances RMB'000	Discretionary Bonuses RMB'000 (Note vi)	Retirement benefit scheme contributions RMB'000	Equity settled share-based payment RMB'000	Total RMB'000
<b>Year ended 31 December 2022</b>							
<b>Executive directors:</b>							
Ms. Qiao Haixia	(i), (ii)	600	694	803	35	326	2,458
Mr. Huang Danghui	(ii)	600	678	542	35	326	2,181
		1,200	1,372	1,345	70	652	4,639
<b>Non-Executive directors:</b>							
Mr. Lin Weiguo		-	-	-	-	-	-
Mr. Xu Yixuan	(iii)	-	-	-	-	-	-
Mr. Zhuang Yuekai	(iv)	-	-	-	-	-	-
		-	-	-	-	-	-
<b>Independent Non-Executive directors:</b>							
Mr. Cheung Kwok Kwan	(v)	51	-	-	-	-	51
Mr. Lee Cheuk Yin Dannis		103	-	-	-	-	103
Mr. Li Kwok Tai James		103	-	-	-	-	103
Mr. Wu Yat Wai		103	-	-	-	-	103
		360	-	-	-	-	360
<b>Year ended 31 December 2021</b>							
<b>Executive directors:</b>							
Ms. Qiao Haixia	(i), (ii)	600	687	304	27	52	1,670
Mr. Huang Danghui	(ii)	600	657	111	27	52	1,447
		1,200	1,344	415	54	104	3,117
<b>Non-Executive directors:</b>							
Mr. Lin Weiguo		-	-	-	-	-	-
Mr. Zhuang Yuekai	(iv)	-	-	-	-	-	-
		-	-	-	-	-	-
<b>Independent Non-Executive directors:</b>							
Mr. Cheung Kwok Kwan	(v)	83	-	-	-	-	83
Mr. Lee Cheuk Yin Dannis		83	-	-	-	-	83
Mr. Li Kwok Tai James		83	-	-	-	-	83
Mr. Wu Yat Wai		83	-	-	-	-	83
		332	-	-	-	-	332

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS *(Continued)*

### (a) Directors' remuneration *(Continued)*

Notes:

- (i) Ms. Qiao Haixia is also the chief executive officer of the Group.
- (ii) The emoluments of the executive directors of the Group, Ms. Qiao Haixia and Mr. Huang Danghui in relation to their services rendered for the Group for the years ended 31 December 2022 and 2021 were borne by C&D Real Estate and their emoluments were partly allocated to the Group.
- (iii) Mr. Xu Yixuan was appointed as a non-executive Director of the Group on 25 August 2022.
- (iv) Resigned as the Group's non-executive director on 25 August 2022.
- (v) Resigned as the Group's independent non-executive director on 24 June 2022.
- (vi) The discretionary bonus is determined by reference to the individual performance of the Directors and performance of the Group as a whole.

The emoluments shown above represent emoluments received by these directors in the capacity as directors/employees of the companies comprising the Group during the years ended 31 December 2022 and 2021.

There were no arrangements under which a director of the Company waived or agreed to waive any remuneration during the years ended 31 December 2022 and 2021.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 13. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION AND INDIVIDUALS WITH HIGHEST EMOLUMENTS (Continued)

### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include 2 (2021: 2) directors, whose emoluments are reflected in the analysis presented in note 13(a). The emoluments paid to the remaining 3 (2021: 3) individuals during the year are as follows:

	2022 RMB'000	2021 RMB'000
Basic salaries and allowances	1,821	1,614
Discretionary bonuses	2,042	1,970
Retirement benefit scheme contributions	100	63
Equity-settled share-based payment	669	115
	<b>4,632</b>	3,762

The emoluments fell within the following bands:

	2022 Number of individuals	2021
Emolument bands		
HK\$1,000,001–HK\$1,500,000	1	2
HK\$1,500,001–HK\$2,000,000	2	1
	<b>3</b>	3

During the years ended 31 December 2022 and 2021, no emoluments were paid by the Group to any of the directors or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office.

### (c) Senior management personnel

The emoluments paid or payable to member of senior management was within following band:

	2022 Number of individuals	2021
Emolument bands		
HK\$1,000,001–HK\$1,500,000	1	1

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement RMB'000	Furniture, fixtures and office equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
<b>At 1 January 2021</b>				
Cost	18,651	21,316	557	40,524
Accumulated depreciation	(2,468)	(10,480)	(248)	(13,196)
<b>Net book amount</b>	<b>16,183</b>	<b>10,836</b>	<b>309</b>	<b>27,328</b>
<b>Year ended 31 December 2021</b>				
Opening net book amount	16,183	10,836	309	27,328
Additions	1,598	8,580	248	10,426
Acquisition through business combination	–	415	38	453
Written off	–	(227)	(31)	(258)
Depreciation	(3,207)	(3,980)	(103)	(7,290)
<b>Closing net book amount</b>	<b>14,574</b>	<b>15,624</b>	<b>461</b>	<b>30,659</b>
<b>At 31 December 2021 and 1 January 2022</b>				
Cost	20,249	28,870	823	49,942
Accumulated depreciation	(5,675)	(13,246)	(362)	(19,283)
<b>Net book amount</b>	<b>14,574</b>	<b>15,624</b>	<b>461</b>	<b>30,659</b>
<b>Year ended 31 December 2022</b>				
Opening net book amount	<b>14,574</b>	<b>15,624</b>	<b>461</b>	<b>30,659</b>
Additions	<b>2,930</b>	<b>9,861</b>	<b>873</b>	<b>13,664</b>
Acquisition through business combination (note 34(a))	–	<b>149</b>	<b>18</b>	<b>167</b>
Written off	–	<b>(359)</b>	<b>(22)</b>	<b>(381)</b>
Depreciation	<b>(3,041)</b>	<b>(5,370)</b>	<b>(126)</b>	<b>(8,537)</b>
<b>Closing net book amount</b>	<b>14,463</b>	<b>19,905</b>	<b>1,204</b>	<b>35,572</b>
<b>At 31 December 2022</b>				
Cost	<b>23,179</b>	<b>38,521</b>	<b>1,692</b>	<b>63,392</b>
Accumulated depreciation	<b>(8,716)</b>	<b>(18,616)</b>	<b>(488)</b>	<b>(27,820)</b>
<b>Net book amount</b>	<b>14,463</b>	<b>19,905</b>	<b>1,204</b>	<b>35,572</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 14. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB'000	2021 RMB'000
Selling and marketing expenses	158	–
Administrative and other operating expenses	8,379	7,290
	<b>8,537</b>	7,290

## 15. RIGHT-OF-USE ASSETS

The carrying amount of the Group's right-of-use assets and the movement during the year ended 31 December 2022 are as follows:

	Buildings RMB'000	Car parking space RMB'000	Staff quarter RMB'000	Total RMB'000
At January 2021	12,265	4,056	5,094	21,415
Additions	4,259	–	1,213	5,472
Depreciation	(551)	(1,958)	(3,343)	(5,852)
At 31 December 2021 and 1 January 2022	<b>15,973</b>	<b>2,098</b>	<b>2,964</b>	<b>21,035</b>
Additions	4,401	–	5,686	10,087
Depreciation	(5,293)	(2,098)	(1,863)	(9,254)
Early termination	(341)	–	–	(341)
<b>At 31 December 2022</b>	<b>14,740</b>	<b>–</b>	<b>6,787</b>	<b>21,527</b>

The right-of-use assets represented leases of buildings, car parking space and staff quarter in the PRC. The leases of building, car parking space and staff quarter in the PRC typically run for an initial period of 2 to 20 years. The Group has entered into an agreement with the local government department to operate an elderly-care centre for 20 years, in which the lessor provided a rent-free period during the first 15 years and the rentals would increase progressively by a fixed annual percentage of 3% starting from the 17th year until the end of the rental period. None of the leases includes variable lease payments. Certain leases include an option to renew the lease for an additional period after the end of the contract term. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options and concluded that it is not reasonably certain to exercise the extension options. Accordingly, the future lease payments during the extension periods are not included in the measurement of the right-of-use assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 15. RIGHT-OF-USE ASSETS (Continued)

Depreciation expenses were charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB'000	2021 RMB'000
Cost of sales	4,004	2,666
Administrative and other operating expenses	5,250	3,186
	<b>9,254</b>	5,852

## 16. INTERESTS IN ASSOCIATES

	2022 RMB'000	2021 RMB'000
Unlisted shares, at cost	2,450	2,450
Share of post-acquisition results	<b>(1,113)</b>	(580)
	<b>1,337</b>	1,870

The details of the associates of the Group as at 31 December 2022 and 2021 are set out below:

Name of company	Form of business structure	Country/place and date of incorporation/ establishment and operation	Particulars of registered capital	Proportion of effective interest held	Principal activities
Zhangjiagang City Hexi Property Services Co, Ltd.* ("Zhangjiagang Hexi") 張家港市和靈物業服務有限公司	Incorporated	The PRC/ 13 November 2020	RMB1,000,000	49% (2021: 49%)	Property management services
Nanping Huihe Property Management Company Limited* ("Nanping Huihe") 南平市匯禾物業管理有限公司	Incorporated	The PRC/ 16 October 2019	RMB5,000,000	49% (2021: 49%)	Property management services
Fuzhou Xintou Yijiyuan Property Management Co., Ltd.* ("Fuzhou Xintou") 福州新投怡家園物業管理有限公司	Incorporated	The PRC/ 3 March 2021	RMB6,000,000	49% (2021: 49%)	Property management services

\* The English translation of the name of the companies established in the PRC is for reference only. The official names of the companies are in Chinese.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 16. INTERESTS IN ASSOCIATES *(Continued)*

Aggregate information of associates that are not individually material:

	2022 RMB'000	2021 RMB'000
Carrying amount of individually immaterial associates in the consolidated statement of financial position	1,337	1,870
Amount of the Group's share of these associates: (Loss)/Profit and total comprehensive (expense)/income for the year	(533)	400

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

The accumulated losses not recognised was RMB3,078,000 (2021: RMB2,116,000) as at 31 December 2022.

## 17. GOODWILL

	RMB'000
<b>Cost</b>	
At 1 January 2021	578
Arising on acquisition through business combination (note b)	30,127
At 31 December 2021	30,705
Arising on acquisition through business combination (note a)	28,929
<b>At 31 December 2022</b>	<b>59,634</b>
<b>Carrying amounts</b>	
<b>At 31 December 2022</b>	<b>59,634</b>
At 31 December 2021	30,705

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 17. GOODWILL (Continued)

Notes:

- (a) During the year ended 31 December 2022, the Group completed the acquisition of a subsidiary (see note 34(a)). Total identifiable net assets of the company as at its respective acquisition date amounted to approximately RMB10,211,000. The excess of the consideration transferred over the fair value of the identifiable net assets acquired is recorded as goodwill.
- (b) During the year ended 31 December 2021, the Group completed the acquisition of Luoyang Quanshun Property Service Company Limited\* (洛陽泉舜物業服務有限公司) (“Quanshun Property”) (see note 34(b)). Total identifiable net assets of the company as at its respective acquisition date amounted to approximately RMB14,247,000. The excess of the consideration transferred and the amount of the non-controlling interest in the acquires over the fair value of the identifiable net assets acquired is recorded as goodwill.

Goodwill of RMB59,634,000 has been allocated to the cash-generating units (“CGU”) of the respective subsidiaries acquired for impairment testing. Management performed an impairment assessment on the goodwill at the reporting date. The recoverable amounts of these subsidiaries are determined based on value-in-use calculation based on five-year financial budgets. The following table sets forth each key assumption of the CGUs on which management has based its cash flow projections to undertake impairment testing of goodwill:

	2022	2021
Revenue growth rate during the forecast period	5%–19%	6%–14%
Pre-tax discount rate	12.8%	12.5%
Terminal growth rate	2%	2%

Based on management’s assessment on the recoverable amounts of the CGUs, no impairment provision was considered necessary as at 31 December 2022 and 2021.

The management believes that any reasonably possible changes in the key assumptions would not cause the carrying amounts of CGUs to exceed the recoverable amounts of the CGUs as at 31 December 2022 and 2021.

\* The English translation of the name of the company established in the PRC is for reference only. The official name of the company is in Chinese.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 18. INTANGIBLE ASSETS

	Computer software RMB'000	Customers relationship RMB'000	Total RMB'000
<b>Year ended 31 December 2021</b>			
Opening net book amount	–	–	–
Additions	121	–	121
Arising on acquisition through business combination	–	11,365	11,365
Amortisation	(12)	(1,405)	(1,417)
<b>Closing net book amount</b>	<b>109</b>	<b>9,960</b>	<b>10,069</b>
<b>At 1 January 2022</b>			
Cost	121	11,365	11,486
Accumulated amortisation	(12)	(1,405)	(1,417)
<b>Net book amount</b>	<b>109</b>	<b>9,960</b>	<b>10,069</b>
<b>Year ended 31 December 2022</b>			
Opening net book amount	<b>109</b>	<b>9,960</b>	<b>10,069</b>
Additions	<b>3,476</b>	–	<b>3,476</b>
Written off	<b>(24)</b>	–	<b>(24)</b>
Arising on acquisition through business combination (note 34(a))	–	<b>6,364</b>	<b>6,364</b>
Amortisation	<b>(75)</b>	<b>(3,246)</b>	<b>(3,321)</b>
<b>Closing net book amount</b>	<b>3,486</b>	<b>13,078</b>	<b>16,564</b>
<b>At 31 December 2022</b>			
Cost	<b>3,573</b>	<b>17,729</b>	<b>21,302</b>
Accumulated amortisation	<b>(87)</b>	<b>(4,651)</b>	<b>(4,738)</b>
<b>Net book amount</b>	<b>3,486</b>	<b>13,078</b>	<b>16,564</b>

Amortisation was charged to the following categories in the consolidated statement of profit or loss and other comprehensive income:

	2022 RMB'000	2021 RMB'000
Cost of sales	<b>3,246</b>	1,405
Administrative expenses	<b>75</b>	12
	<b>3,321</b>	1,417

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 19. INVENTORIES

	2022 RMB'000	2021 RMB'000
Finished goods	11,016	6,678
Other contract costs	28,586	5,582
	<b>39,602</b>	12,260

Finished goods mainly represent intelligent hardware devices, software products and construction materials.

Other contract costs relate to fulfillment costs that generates or enhances resources of the Group that will be used in satisfying performance obligations and expected to be recovered.

## 20. TRADE AND OTHER RECEIVABLES

	Notes	2022 RMB'000	2021 RMB'000
<b>Trade receivables</b>			
— Third parties		169,563	86,443
— Related parties		81,561	53,631
		<b>251,124</b>	140,074
Less: Provision for ECL allowance of trade receivables		<b>(10,301)</b>	(6,922)
	(a)	<b>240,823</b>	133,152
<b>Other receivables</b>			
Deposits		17,787	13,369
Prepayments		34,587	11,804
Other receivables		29,113	7,310
Payments on behalf of property owners		30,643	34,191
Value-added tax receivables		8,857	3,994
Other tax recoverable		—	143
		<b>120,987</b>	70,811
Less: Provision for ECL allowance of other receivables		<b>(3,708)</b>	(2,496)
	(b)	<b>117,279</b>	68,315
		<b>358,102</b>	201,467

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 20. TRADE AND OTHER RECEIVABLES (Continued)

### (a) Trade receivables

Trade receivables mainly arise from property management services and commercial property operation management services managed under lump-sum basis and value-added services.

Property management services income and commercial property operation management services under lump-sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services and commercial property operation management services are due for payment by property owners upon rendering of services.

Income from value-added services other than smart community services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice. Smart community services income are received in accordance with the terms of the relevant service agreements, and the Group normally allows credit period ranged from 5 days to 60 days to its customers.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of trade receivables, net of ECL allowance, based on invoice date, is as follows:

	2022 RMB'000	2021 RMB'000
0–180 days	185,661	97,933
181–365 days	34,226	21,056
1–2 years	16,597	11,723
2–3 years	3,301	1,780
3–4 years	755	533
4–5 years	283	127
	<b>240,823</b>	133,152

### (b) Other receivables

The balances mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Further details of the Group's credit policy and credit risk arising from trade and other receivables are set out in note 37.2.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 21. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000
Cash at banks and on hand	2,736,048	2,297,332
Less: Restricted bank deposits (note)	(32,929)	(35,887)
	<b>2,703,119</b>	2,261,445

Note: As at 31 December 2022 and 2021, restricted bank deposits mainly represent the deposits in banks as the maintenance fund held on behalf of the residents according to the requirements of local government authorities and designated bank account for the operation of elderly-care centre.

As at 31 December 2022, included in cash and cash equivalents of the Group of RMB2,384,359,000 (2021: RMB1,747,053,000) is denominated in RMB and placed with banks in the PRC.

RMB is not a freely convertible currency in the international market and its exchange rate is determined by the People's Bank of China. The conversion of RMB into foreign currencies and remittance of RMB out of the PRC is subject to the rules and regulations of the foreign exchange control promulgated by the PRC government.

## 22. TRADE AND OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
<b>Trade payables</b>			
— Third parties		152,897	90,970
— Related parties		938	340
	(a)	<b>153,835</b>	91,310
<b>Other payables</b>			
Accrued charges and other payables		95,227	86,686
Amounts collected on behalf of property owners		133,264	112,971
Deposit received		156,144	124,785
Value-added tax payable		94,846	75,784
Other tax payable		3,380	3,464
Staff costs and welfare accruals		235,177	181,666
Payable in relation to the restricted shares incentive scheme (note 36)		69,307	56,086
	(b)	<b>787,345</b>	641,442
		<b>941,180</b>	732,752

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 22. TRADE AND OTHER PAYABLES (Continued)

- (a) The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the trade payables based on invoice date, is follows:

	2022 RMB'000	2021 RMB'000
0 to 30 days	88,057	43,996
31 to 60 days	12,380	8,839
61 to 90 days	6,608	1,951
Over 90 days	46,790	36,524
	<b>153,835</b>	91,310

(b) **Other payables**

The balances mainly include accrued expenses and temporarily received from property owners to be paid to related service providers.

## 23. AMOUNTS DUE FROM/(TO) RELATED PARTIES

(a) **Amounts due from related parties**

	2022 RMB'000	2021 RMB'000
Companies controlled by Xiamen C&D	23,164	–

(b) **Amounts due to related parties**

	2022 RMB'000	2021 RMB'000
Ultimate holding company	–	3
Companies controlled by Xiamen C&D	126	1,769
Associates of Xiamen C&D	–	3
	<b>126</b>	1,775

As at 31 December 2022 and 2021, the amounts due from/(to) related parties are non-trade nature, unsecured, interest-free and repayable on demand.

The amounts due from subsidiaries in the statement of financial position of the Company are unsecured, interest-free and repayable on demand.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 24. INTEREST-BEARING BORROWINGS

	2022 RMB'000	2021 RMB'000
<b>Non-current</b>		
Bank borrowings, unsecured	8,500	–
<b>Current</b>		
Bank borrowings, unsecured	1,500	–
	<b>10,000</b>	–

At 31 December 2022 and 2021, the Group's bank borrowings were repayable as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount repayable (Note)		
Within one year	1,500	–
In the second year	3,000	–
In the third to fifth year	5,500	–
Total carrying amount	10,000	–
Less: Amount due within one year	(1,500)	–
Carrying amount shown under non-current liabilities	8,500	–

Note: The amounts are based on the scheduled repayment dates set out in the loan agreements.

As at 31 December 2022, the bank borrowings were guaranteed by C&D Real Estate, the intermediate holding company of the Group.

As at 31 December 2022, the bank borrowings bear an effective interest rate 3.5% per annum.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 25. LEASE LIABILITIES

The following tables show the remaining contractual maturities of the Group's lease liabilities:

	2022 RMB'000	2021 RMB'000
<b>Total minimum lease payments:</b>		
Within one year	3,827	6,381
After 1 year but within 2 years	3,012	1,533
After 2 years but within 5 years	2,190	836
After 5 years	11,931	10,618
	20,960	19,368
Future finance charge on lease liabilities	(5,381)	(5,198)
Present value of lease liabilities	15,579	14,170

	2022 RMB'000	2021 RMB'000
<b>Present value of minimum lease payments:</b>		
Within one year	3,607	6,284
After 1 year but within 2 years	3,082	1,499
After 2 years but within 5 years	1,803	817
After 5 years	7,087	5,570
	15,579	14,170
Less: Portion due within one year included under current liabilities	(3,607)	(6,284)
Portion due after one year included under non-current liabilities	11,972	7,886

During the year ended 31 December 2022, the total cash outflows for the leases is RMB18,533,000 (2021: RMB21,660,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26. DEFERRED TAXATION

The amounts recognised in the consolidated statement of financial position are as follows:

	2022 RMB'000	2021 RMB'000
Deferred tax assets recognised in the consolidated statement of financial position	15,023	7,113
Deferred tax liabilities recognised in the consolidated statement of financial position	(7,937)	(7,341)
Net deferred tax assets/(liabilities)	7,086	(228)

The movement of net deferred tax liabilities is as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	(228)	(1,061)
Credited to profit or loss (note 10)	6,257	3,625
Acquisition through business combination (note 34(a))	433	(2,792)
Credited to statement of changes in equity	624	–
At the end of the year	7,086	(228)

The movements in deferred tax assets and liabilities, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

### Deferred tax assets

	Tax losses RMB'000	Impairment loss on trade and other receivables RMB'000	Others RMB'000	Total RMB'000
At 1 January 2021	1,636	2,238	–	3,874
Credited to profit or loss	2,501	43	620	3,164
Acquisition through business combination	–	75	–	75
<b>At 31 December 2021 and 1 January 2022</b>	<b>4,137</b>	<b>2,356</b>	<b>620</b>	<b>7,113</b>
Credited/(Charge) to profit or loss	(1,065)	1,146	5,181	5,262
Acquisition through business combination (note 34 (a))	2,024	–	–	2,024
Credited to statement of changes in equity	–	–	624	624
<b>At 31 December 2022</b>	<b>5,096</b>	<b>3,502</b>	<b>6,425</b>	<b>15,023</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 26. DEFERRED TAXATION *(Continued)*

### Deferred tax liabilities

	Fair value adjustments arising on business combination RMB'000	Withholding tax RMB'000	Total RMB'000
At 1 January 2021	(2,036)	(2,899)	(4,935)
Credited/(Charged) to profit or loss	480	(19)	461
Acquisition through business combination (note 34(b))	(2,867)	–	(2,867)
<b>At 31 December 2021 and 1 January 2022</b>	<b>(4,423)</b>	<b>(2,918)</b>	<b>(7,341)</b>
Credited to profit or loss	995	–	995
Acquisition through business combination (note 34(a))	(1,591)	–	(1,591)
<b>At 31 December 2022</b>	<b>(5,019)</b>	<b>(2,918)</b>	<b>(7,937)</b>

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

As at 31 December 2022, deferred tax liabilities have not been recognised in respect of temporary differences relating to the post-2007 profits earned by the PRC subsidiaries amounting to approximately RMB704,553,000 (2021: RMB445,312,000) because the Group controls the dividend policy of these subsidiaries and it is not probable that the temporary differences will reverse in the foreseeable future.

As at 31 December 2022, the Group has not recognised deferred tax assets in respect of tax losses of approximately RMB10,603,000 (2021: RMB1,979,000). Of the total unrecognised tax losses, approximately RMB42,411,000 (2021: RMB7,916,000) may be carried forward for 5 years from the year of incurring the loss. No deferred tax asset has been recognised in respect of those tax losses due to the unpredictability of future profit streams.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 27. SHARE CAPITAL

	2022		2021	
	Number of shares	HK\$	Number of shares	HK\$
<b>Authorised</b>				
<b>At 1 January and 31 December</b>	<b>3,000,000,000</b>	<b>30,000,000</b>	3,000,000,000	30,000,000
		<b>Number of shares</b>	<b>Nominal value of shares</b>	<b>Equivalent nominal value of shares</b>
	Notes		HK\$0.01	RMB'000
<b>Issued and fully paid</b>				
At 1 January 2021		1,176,711,106	11,767,111	9,982
Issuance of shares on placement	(a)	131,300,000	1,313,000	1,071
Issuance of shares for restricted share incentive scheme (note 36)	(b)	28,250,000	282,500	233
<b>At 31 December 2021, 1 January 2022 and 31 December 2022</b>		<b>1,336,261,106</b>	<b>13,362,611</b>	<b>11,286</b>

Note:

- (a) On 10 December 2021, the Company entered into a placing agreement with China International Capital Corporation Hong Kong Securities Limited as placing agent, which is independent and not connected to the Company. Pursuant to the placing agreement, the placing agent agreed to place up to 131,300,000 placing shares to independent third parties of the Company at HK\$4.16 per placing share. The net proceeds from the placing shares was approximately HK\$545,666,000 (equivalent to approximately RMB445,302,000) after excluding the issuance expense of placing shares amounted to HK\$542,000 (equivalent to RMB442,000). The difference between the par value and placing price amounted to HK\$544,353,000 (equivalent to RMB444,231,000) was recognised as share premium. The placing was completed on 23 December 2021.
- (b) On 4 November 2021, the Company issued 28,250,000 restricted shares at a price of HK\$2.41 and recorded an amount of HK\$68,083,000 (equivalent to RMB56,086,000) received from participants, which was included in other payables as payables in relation to restricted share incentive scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 28. RESERVES

### (a) Statutory reserve

In accordance with the relevant laws and regulations for the companies incorporated in the PRC now comprising the Group, it is required to appropriate 10% of its annual statutory net profit determined in accordance with China Accounting Standards for Enterprises issued by the Ministry of Finance of PRC, after offsetting any prior years' losses, to the statutory reserve. When the balance of such a reserve reaches 50% of the registered capital of the respective company, any further appropriation is at the discretion of shareholders. The statutory reserve can be used to offset prior years' losses, if any, and may be converted into share capital by issuing new shares to shareholders in proportion to their existing shareholding or by increasing the par value of the shares currently held by them, provided that the remaining balance of the reserve after such an issue is not less than 25% of registered capital. The statutory reserve is non-distributable.

### (b) Other reserve

Other reserve mainly included the dividends received from the companies indirectly owned by C&D International Investment Group Limited prior the reorganisation ("Reorganisation") described in the Listing Document (the "Excluded Companies"), the excess of proceeds from the equity transfers of the Excluded Companies over the share capital of Excluded Companies and the excess of investments cost over the share capital of the common control entities. It also resulted from the disposal of ownership interest in a subsidiary without change of control which represents the difference between the fair value of the considerations received and the carrying amount of the net assets attributable to the disposal ownership interest in a subsidiary to non-controlling interests.

### (c) Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statement of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

### (d) Shares held for restricted shares incentive scheme

Shares held for restricted shares incentive scheme are determined using the fair value of restricted shares that have been granted, which are held by the Group's trustee.

### (e) Share premium

The share premium account of the Group represents the premium arising from the issuance of shares of the Company at premium.

### (f) Share-based payment reserve

The share-based payment reserve represents the difference between the price at the grant date and fair value of the restricted shares granted to employees and is dealt with in accordance with the accounting policy set out in note 2.26.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	Note	2022 RMB'000	2021 RMB'000
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Interest in a subsidiary		17,487	2,448
<b>Current assets</b>			
Deposit and prepayment		184	169
Amounts due from subsidiaries		172,813	973
Cash and cash equivalents		318,714	507,036
		<b>491,711</b>	508,178
<b>Current liabilities</b>			
Accrued charges and other payables		74,824	57,112
		<b>74,824</b>	57,112
<b>Net current assets</b>		<b>416,887</b>	451,066
<b>Net assets</b>		<b>434,374</b>	453,514
<b>Equity</b>			
Share capital	27	11,286	11,286
Reserves (note)		423,088	442,228
<b>Total equity</b>		<b>434,374</b>	453,514

Approved and authorised for issue by the board of directors on 30 March 2023.

**Qiao Haixia**  
Director

**Huang Danghui**  
Director

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 29. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note: Movements of the Company's reserves

	Shares held for restricted shares incentive scheme RMB'000	Share premium RMB'000	Share- based payment reserve RMB'000	Exchange reserve RMB'000	Accumulated losses RMB'000	Total RMB'000
<b>At 1 January 2021</b>	–	–	–	(38)	(736)	(774)
Loss and total comprehensive expense for the year	–	–	–	–	(4,068)	(4,068)
Currency translation differences	–	–	–	592	–	592
Proceeds from placing of new shares	–	444,673	–	–	–	444,673
Issuing expense of placing of new shares	–	(442)	–	–	–	(442)
Issuing of restricted shares under Restricted Share Incentive Scheme	(56,086)	55,853	2,480	–	–	2,247
<b>At 31 December 2021 and 1 January 2022</b>	<b>(56,086)</b>	<b>500,084</b>	<b>2,480</b>	<b>554</b>	<b>(4,804)</b>	<b>442,228</b>
Loss and total comprehensive expense for the year	–	–	–	–	(8,612)	(8,612)
Currency translation differences	–	–	–	38,876	–	38,876
2021 final dividend approval and paid	–	(68,565)	–	–	–	(68,565)
Issuing of restricted shares under Restricted Share Incentive Scheme (note 36)	–	–	15,039	–	–	15,039
Restricted shares forfeited	2,449	1,673	–	–	–	4,122
<b>At 31 December 2022</b>	<b>(53,637)</b>	<b>433,192</b>	<b>17,519</b>	<b>39,430</b>	<b>(13,416)</b>	<b>423,088</b>

## 30. PARTICULARS OF SUBSIDIARIES

Details of the principal subsidiaries, each of which is a limited liability company, at 31 December 2022 and 2021 are as follows:

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Directly held by the Company</b>					
Li Chi (Hong Kong) Limited 利馳(香港)有限公司	Hong Kong/ 6 June 2016	Limited liability company	HK\$10,000	100% (2021: 100%)	Investment holding
<b>Indirectly held by the Company</b>					
Xiamen Lirong Investment Management Limited* 廈門利融投資管理有限公司	The PRC/ 4 July 2016	Limited liability company	RMB30,000,000	100% (2021: 100%)	Enterprises management consultancy services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Indirectly held by the Company</b>					
Xiamen Yirui Investment Management Limited* 廈門益睿投資管理有限公司	The PRC/ 19 July 2016	Limited liability company	RMB100,000,000	100% (2021: 100%)	Enterprises management consultancy services
C&D Property Service Group Limited* 建發物業服務集團有限公司	The PRC/ 1 March 2018	Limited liability company	RMB50,000,000	100% (2021: 100%)	Property management services
Xiamen Zhaohui Internet Technology Company Limited* 廈門兆慧網絡科技有限公司 ("Xiamen Zhaohui")	The PRC/ 7 September 2015	Limited liability company	RMB10,000,000	75% (2021: 100%)	Provision of community value-added and synergy service
Xiamen Bairui Health Industry Company Limited* 廈門市佰睿健康產業有限公司	The PRC/ 20 July 2018	Limited liability company	RMB50,000,000	80% (2021: 80%)	Provision of elderly-care and health value-added services
Xiamen C&D Gongjian Property Management Company Limited* 廈門建發公建物業管理有限公司	The PRC/ 29 June 2018	Limited liability company	RMB50,000,000	100% (2021: 100%)	Property management services, provision of community value-added and synergy services and value-added services to non-property owners
Yijiyuan (Xiamen) Property Management Company Limited* 怡家園(廈門)物業管理有限公司	The PRC/ 17 February 2005	Limited liability company	RMB50,000,000	100% (2021: 100%)	Property management services, provision of community value-added and synergy services and value-added services to non-property owners
Shanghai Yixiang Property Management Company Limited* 上海怡祥物業管理有限公司	The PRC/ 11 May 2006	Limited liability company	RMB11,300,000	100% (2021: 100%)	Property management services
Chengdu Yijiyuan Property Management Company Limited* 成都怡家園物業管理有限公司	The PRC/ 5 March 2010	Limited liability company	RMB3,100,000	100% (2021: 100%)	Property management services
Huzhou Yisheng Property Management Company Limited* 湖州市怡晟物業管理有限公司	The PRC/ 11 October 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Putian Yirui Property Management Company Limited* 莆田怡瑞物業管理有限公司	The PRC/ 6 March 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Indirectly held by the Company</b>					
Wuhan Yiran Property Management Company Limited* 武漢怡然物業管理有限公司	The PRC/ 14 August 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Putian Yixin Property Management Company Limited* 莆田市怡信物業管理有限公司	The PRC/ 23 October 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Wuyishan Yichen Property Management Company Limited* 武夷山怡辰物業管理有限公司	The PRC/ 24 January 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Guangzhou Yijayuan Property Management Company Limited* 廣州怡家園物業管理有限公司	The PRC/ 3 August 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Nanping Yanping District Yijayuan Property Management Company Limited* 南平市延平區怡家園物業管理有限公司	The PRC/ 23 August 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Zhangzhou Yizhuo Property Management Company Limited* 漳州怡卓物業管理有限公司	The PRC/ 15 October 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Hangzhou Yixing Property Management Company Limited* 杭州怡興物業管理有限公司	The PRC/ 26 June 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Shenzhen Yijayuan Property Management Company Limited* 深圳市怡家園物業管理有限公司	The PRC/ 6 August 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Shanghai Yicheng Property Management Company Limited* 上杭怡誠物業管理有限公司	The PRC/ 15 October 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Ningde Yishun Property Management Company Limited* 寧德怡順物業管理有限公司	The PRC/ 27 June 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Indirectly held by the Company</b>					
Yongtai Yijiyuan Property Management Company Limited* 永泰怡家園物業管理有限公司	The PRC/ 26 August 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Zhuhai Yixin Property Management Company Limited* 珠海市怡欣物業管理有限公司	The PRC/ 27 August 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Zhangzhou Yijiyuan Property Management Company Limited* 漳州怡家園物業服務有限公司	The PRC/ 6 December 2019	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Zhangzhou Yiping Property Management Company Limited* 漳州怡平物業服務有限公司	The PRC/ 8 May 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Changsha Yisheng Property Management Company Limited* 長沙怡盛物業管理有限公司	The PRC/ 20 July 2006	Limited liability company	RMB3,000,000	100% (2021: 100%)	Property management services
Zhangzhou Yijiyuan Chengtou (note 4(a))	The PRC/ 30 April 2019	Limited liability company	RMB2,000,000	50% (2021: 50%)	Property management services
Minhou Yijiyuan Property Management Company Limited** 閩侯怡家園物業管理有限公司 ("Minhou Yijiyuan")	The PRC/ 8 June 2020	Limited liability company	RMB1,000,000	Nil (2021: 100%)	Property management services
Huijia (Xiamen) Property Management Company Limited* 匯嘉(廈門)物業管理有限公司	The PRC/ 2 June 1995	Limited liability company	RMB5,000,000	100% (2021: 100%)	Property management services, provision of community value-added and synergy services and value-added services to non-property owners
Nanping Huijia Property Management Company Limited* 南平匯嘉物業管理有限公司	The PRC/ 18 May 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Nanan Huijia Property Management Company Limited* 南安匯嘉物業管理有限公司	The PRC/ 23 July 2018	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services

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For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Indirectly held by the Company</b>					
Xiamen Yiyuexin Management Consultancy Company Limited* 廈門怡悅新管理諮詢有限公司	The PRC/ 1 February 2018	Limited liability company	RMB5,000,000	100% (2021: 100%)	Property management consultancy services
Xiamen Zaijiayiju Information Technology Company Limited* 廈門在家怡居信息科技有限公司	The PRC/ 28 April 2015	Limited liability company	RMB4,000,000	100% (2021: 100%)	Provision of community value-added and synergy services
Guiyang Yijiayuan Property Management Company Limited* 貴陽怡家園物業管理有限公司	The PRC/ 28 August 2020	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management consultancy services
Beijing Yichuang Property Management Company Limited* 北京怡創物業管理有限公司	The PRC/ 20 August 2020	Limited liability company	RMB2,000,000	51% (2021: 51%)	Property management consultancy services
Xiamen Xinjia Engineering Management Company Limited* 廈門信佳工程管理有限公司	The PRC/ 24 May 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Home beauty services
Putian Xincheng Decoration Engineering Company Limited* 莆田信誠裝修工程有限公司	The PRC/ 19 April 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Home beauty services
Shishi Xincheng Decoration Engineering Company Limited* 石獅信誠裝修工程有限公司	The PRC/ 19 April 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Home beauty services
Hangzhou Pingyuexing Decoration Engineering Company Limited* 杭州品悅行裝修工程有限公司	The PRC/ 27 May 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Home beauty services
Longyan Meiyou Yaxuan Decoration Engineering Company Limited* 龍岩美優雅軒裝修工程有限公司	The PRC/ 4 June 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Home beauty services
Xiamen Jiashanju Construction Decoration Engineering Company Limited* 廈門迦善居建築裝修工程有限公司	The PRC/ 10 September 2021	Limited liability company	RMB5,000,000	65% (2021: 65%)	Home beauty services

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES (Continued)

Name of company	Country/ place and date of incorporation/ establishment and operation	Type of legal entity	Particulars of issued and paid in share capital/ registered capital	Effective interest held by the Group	Principal activities
<b>Indirectly held by the Company</b>					
Xiamen Huilingju Construction Decoration Engineering Company Limited* 廈門蒼凌居建築裝修工程有限公司	The PRC/ 10 September 2021	Limited liability company	RMB5,000,000	73% (2021: 73%)	Home beauty services
Foshan Yijiyuan Property Management Company Limited* 佛山怡家園物業管理有限公司	The PRC/ 7 February 2021	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Liuzhou Yijiyuan Property Management Company Limited* 柳州怡家園物業管理有限公司	The PRC/ 8 April 2021	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Wenzhou Yizhao Property Management Company Limited* 溫州怡兆物業管理有限公司	The PRC/ 31 May 2021	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Hunan Yiyue Property Management Company Limited* 湖南怡悅物業管理有限公司	The PRC/ 2 June 2021	Limited liability company	RMB2,000,000	100% (2021: 100%)	Property management services
Longyan Yijiyuan Nanxiang Property Management Company Limited* 龍岩怡家園南祥物業管理有限公司	The PRC/ 7 June 2021	Limited liability company	RMB2,000,000	51% (2021: 51%)	Property management services
Yiwu Yijin Property Management Company Limited* 義烏怡錦物業管理有限公司	The PRC/ 5 August 2021	Limited liability company	RMB1,000,000	100% (2021: 100%)	Property management services
Luoyang Quanshun Property Service Company Limited* 洛陽泉舜物業服務有限公司 (note 34(b))	The PRC/ 23 July 2003	Limited liability company	RMB5,000,000	51% (2021: 51%)	Property management services and provision of community value-added and synergy services
Xiamen Haoyi Property Management Co., Ltd.* <sup>△</sup> 廈門豪億物業管理有限公司 (note 34(a))	The PRC/ 2 December 1997	Limited liability company	RMB1,000,000	100% (2021: Nil)	Property management services
Xiamen C&D Commercial Management Co., Ltd. (Formerly known as "Xiamen Yuefa Commercial Management Co., Ltd.")* 廈門建發商業管理有限公司(前稱: 廈門悅發商業管理有限公司)	The PRC/ 1 March 2021	Limited liability company	RMB5,000,000	100% (2021: 100%)	Commercial property operation management services

\* The English translation of the names of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

# During the year ended 31 December 2022, Minhou Yijiyuan was deregistered.

△ The subsidiary was acquired during the year ended 31 December 2022.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 30. PARTICULARS OF SUBSIDIARIES *(Continued)*

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

During the years ended 31 December 2022 and 2021, there was no non-controlling interest of the individual subsidiaries was significant to the Group and thus the individual financial information of these subsidiaries were not disclosed.

## 31. COMMITMENTS

### Lease commitments — as lessee

As of the reporting date, the lease commitments for short-term leases are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	6,286	288

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. MATERIAL RELATED PARTY TRANSACTIONS

The Group's accounting policies on related parties are disclosed in note 2.27. In addition to the transactions/information disclosed elsewhere in these consolidated financial statements, the Group had the following material related party transactions.

- (a) During the years ended 31 December 2022 and 2021, the transactions with related parties of the Group carried in the ordinary course of business are as follows:

	2022 RMB'000	2021 RMB'000
<b>Revenue from provision of property management services</b>		
Ultimate holding company	3,120	3,363
Companies controlled by immediate holding company	27,233	32,203
Companies controlled by Xiamen C&D	55,047	30,497
Associates of Xiamen C&D	4,311	4,723
<b>Revenue from provision of community value-added and synergy services</b>		
Ultimate holding company	7,634	3,866
Companies controlled by immediate holding company	81,964	24,633
Companies controlled by Xiamen C&D	7,404	8,341
Associates of Xiamen C&D	7,025	3,837
<b>Revenue from provision of value-added services to non-property owners</b>		
Companies controlled by immediate holding company	523,255	376,908
Companies controlled by Xiamen C&D	37,373	56,812
Associates of Xiamen C&D	87,634	64,913
<b>Revenue from provision of commercial property operation management services</b>		
Companies controlled by immediate holding company	1,454	-
Companies controlled by Xiamen C&D	14,537	-
<b>Interest income received from related parties</b>		
Immediate holding company (note 7)	46,166	-
<b>Rentals paid for short-term lease</b>		
Ultimate holding company	-	125

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 32. MATERIAL RELATED PARTY TRANSACTIONS (Continued)

- (a) During the years ended 31 December 2022 and 2021, the transactions with related parties of the Group carried in the ordinary course of business are as follows (Continued):

	2022 RMB'000	2021 RMB'000
<b>Rentals paid for lease liabilities</b>		
Ultimate holding company	3,938	3,716
<b>Interests on lease liabilities</b>		
Ultimate holding company	—	166

The prices for the above service fees and other transactions were determined in accordance with the terms mutually agreed by the contract parties.

- (b) Other than the balances with related parties set out in note 23, The Group also had the following related party balance during as at 31 December 2022 and 2021:

	2022 RMB'000	2021 RMB'000
<b>Lease liabilities</b>		
Ultimate holding company	—	3,938

(c) **Key management personnel remuneration**

Key management of the Group are members of the board of directors and senior management. Included in employee benefit expenses are key management personnel remuneration which includes the following expenses:

	2022 RMB'000	2021 RMB'000
Fees	1,200	1,200
Salaries and allowances	1,866	1,733
Discretionary bonuses	1,839	835
Retirement benefit scheme contributions	107	81
Equity-settled share-based payment	767	123
	<b>5,779</b>	<b>3,972</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 33. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### Reconciliation of liabilities arising from financing activities

The tables below set out the reconciliation of liabilities arising from financing activities.

	Amounts due to related parties	
	2022 RMB'000	2021 RMB'000
<b>At the beginning of the year</b>	<b>1,775</b>	5,333
Cash flows:		
— Repayments	<b>(1,649)</b>	(3,558)
<b>At the end of the year</b>	<b>126</b>	1,775

	Lease liabilities	
	2022 RMB'000	2021 RMB'000
<b>At the beginning of the year</b>	<b>14,170</b>	14,156
Cash flows:		
— Capital element of lease payments paid	<b>(8,262)</b>	(5,458)
— Interest element of lease payments paid	<b>(622)</b>	(604)
Non-cash:		
— Interest expenses (note 7)	<b>622</b>	604
— Entering into new lease	<b>10,087</b>	5,472
— Early termination	<b>(416)</b>	—
<b>At the end of the year</b>	<b>15,579</b>	14,170

	Interest-bearing borrowings	
	2022 RMB'000	2021 RMB'000
<b>At the beginning of the year</b>	<b>—</b>	—
Cash flows:		
— Proceeds from interest-bearing borrowings	<b>10,000</b>	—
— Interest element of interest-bearing borrowings paid	<b>(23)</b>	—
Non-cash:		
— Interest expenses (note 7)	<b>23</b>	—
<b>At the end of the year</b>	<b>10,000</b>	—



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. BUSINESS COMBINATIONS

### (a) Acquisition of Xiamen Haoyi Property Management Co., Ltd.\* (廈門豪億物業管理有限公司) (“Xiamen Haoyi”)

In February 2022, the Group has entered into share transferred agreement to acquire an 100% equity interest of Xiamen Haoyi, a company whose principally activity is provision of property management services for residential properties in the PRC, from an independent third party. The consideration for the acquisition was approximately RMB39,140,000 and the acquisition was completed on 30 March 2022. The acquisition was made with the aims to enhance the business scale of the Group and expand market scope of the property management services of the Group.

Details of the aggregate fair values of the identifiable assets and liabilities of Xiamen Haoyi as at the date of acquisition are as follows:

	Xiamen Haoyi RMB'000
Property, plant and equipment (note 14)	167
Deferred tax assets (note 26)	2,024
Intangible assets (note 18)	6,364
Inventories	8
Trade and other receivables	7,130
Cash and cash equivalents	13,636
Trade and other payables	(11,374)
Contract liabilities	(2,311)
Income tax payable	(3,842)
Deferred tax liabilities (note 26)	(1,591)
Net assets acquired	10,211
Less: cash consideration	(39,140)
Goodwill (note 17)	28,929
Cash consideration paid	(39,140)
Cash and cash equivalents acquired	13,636
Cash outflow arising on acquisition through business combination	(25,504)

Since the acquisition date, Xiamen Haoyi had contributed RMB12,821,000 and RMB311,000 to the Group's revenue and profit for the year. If the acquisition had occurred on 1 January 2022, consolidated pro-forma revenue and profit for the year ended 31 December 2022 would have been approximately RMB2,301,385,000 and RMB253,430,000 respectively.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. BUSINESS COMBINATIONS (Continued)

### (b) Acquisition of Luoyang Quanshun Property Service Company Limited\* (洛陽泉舜物業服務有限公司) (“Quanshun Property”)

On 1 July 2021, the Group has entered into a sales and purchase agreement with an independent third party for the acquisition of 51% of equity interest in Quanshun Property, a company whose principally activity is provision of property management services for residential properties, real estate consulting services, housekeeping service and parking management services in the PRC. The total cash consideration for the acquisition was approximately RMB37,393,000. The acquisition was made with the aims to enhance the business scale of the Group and expand market scope of the property management services of the Group. The acquisition was completed in July 2021.

The non-controlling interests above recognised at the acquisition date was measured by reference to the proportionate share of the recognised amounts of the acquiree’s identifiable net assets.

Details of the aggregate fair values of the identifiable assets and liabilities of Quanshun Property as at the date of acquisition are as follows:

	Quanshun Property RMB'000
Property, plant and equipment	453
Deferred tax assets	75
Intangible assets	11,365
Trade and other receivables	4,434
Cash and cash equivalents	23,768
Trade and other payables	(13,462)
Contract liabilities	(9,158)
Income tax payable	(361)
Deferred tax liabilities	(2,867)
Net assets acquired	14,247
Less: Non-controlling interest	(6,981)
	7,266
Less: cash consideration	(37,393)
Goodwill	30,127
Cash consideration paid	(37,393)
Cash and cash equivalents acquired	23,768
Cash outflow arising on acquisition through business combination	(13,625)

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 34. BUSINESS COMBINATIONS *(Continued)*

### (b) Acquisition of Luoyang Quanshun Property Service Company Limited\* (洛陽泉舜物業服務有限公司) (“Quanshun Property”) *(Continued)*

Since the acquisition date, Quanshun Property had contributed RMB22,129,000 and RMB2,160,000 to the Group’s revenue and profit for the year. If the acquisition had occurred on 1 January 2021, consolidated pro-forma revenue and profit for the year ended 31 December 2021 would have been approximately RMB1,586,847,000 and RMB160,879,000 respectively.

Goodwill arose from the acquisitions of Xiamen Haoyi and Quanshun Property because the consideration paid included amounts in relation to the revenue growth and future market development of the business acquired. These benefits are not recognised separately from goodwill, because they do not meet the recognition criteria for identifiable intangible assets. Goodwill arising from the acquisitions are not expected to be deductible for tax purpose.

## 35. CHANGES IN OWNERSHIP INTERESTS IN SUBSIDIARIES WITHOUT CHANGE OF CONTROL

During the year ended 31 December 2022, Xiamen Yirui Investment Management Limited\* (廈門益睿投資管理有限公司) (“Xiamen Yirui”), an indirect wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Xiamen Yi Yue Property Company Limited\* (廈門益悅置業有限公司) (“Yi Yue”), a fellow subsidiary of the Company, for the disposal of 25% equity interests in Xiamen Zhaohui and its subsidiary at a cash consideration of approximately RMB3,393,000. After the completion of the disposal, Xiamen Zhaohui and its subsidiary are held by Xiamen Yirui and Yi Yue as to 75% and 25%, respectively. As such, Xiamen Zhaohui and its subsidiary remain indirect subsidiaries of the Company and their financial results continue to be consolidated in the consolidated financial statements of the Company.

## 36. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS

The shareholders of Company approved Restricted Share Incentive Scheme (the “Restricted Share Incentive Scheme”) on 27 September 2021. On 4 November 2021, 28,250,000 restricted shares were granted to the selected participants (“Incentive Recipients”). On 15 December 2022, the Board has granted 7,050,000 restricted shares to the Incentive Recipients.

Incentive Recipients are entitled to the related distribution derived from the relevant restricted shares during the period from the date of the issue of the restricted shares to the vesting date (both dates inclusive) of such restricted shares, which shall however only be vested by the Incentive Recipients on the vesting date subject to fulfilment of vesting conditions of the restricted shares.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 36. EQUITY-SETTLED SHARE-BASED PAYMENT TRANSACTIONS *(Continued)*

The Incentive Recipients include certain directors of the Company, certain members of senior management and employees of the Group who under the terms of the Restricted Share Incentive Scheme subscribed for the restricted shares at HK\$2.41 per share (the "Subscription Price").

Under the terms of the Restricted Share Incentive Scheme, if the vesting conditions: (a) performance target of the Company and (b) individual performance evaluation requirement on selected participants are fulfilled, the restricted shares shall be vested by 40%, 30% and 30% on each of the vesting period, respectively. During the year ended 31 December 2022, 1,150,000 unvested restricted shares were forfeited as the certain vesting conditions not fulfilled.

For the selected participants who do not meet the vesting conditions, the unvested restricted shares remaining at the end of the Restricted Share Incentive Scheme are to be forfeited.

	2022	2021
<b>Number of restricted shares</b>		
As at 1 January	28,250,000	–
Granted during the year	7,050,000	28,250,000
Forfeited during the year	(1,150,000)	–
As at 31 December	34,150,000	28,250,000

The fair value of each restricted share was assessed based on difference between the market price of the Company's share and the grant price of each restricted share at the respectively grant date. The expected dividends and time value of money for the expected dividends during the vesting period were taken into account when assessing the fair value of the restricted shares. The weighted average fair value of restricted shares granted during the year ended 31 December 2022 was approximately HK\$2.13 per share (equivalent to RMB1.83 per share) (2021: HK\$1.69 per share (equivalent to RMB1.41 per share)).

The Group recognised the expense of RMB15,039,000 (2021: RMB2,607,000) for the year ended 31 December 2022 in relation to the Restricted Share Incentive Scheme.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include credit risk, liquidity risk and market risk (including interest rate risk and foreign currency risk).

The Group's overall risk management strategy seeks to minimise potential adverse effects on the Group's financial performance. Risk management is carried out by the senior management of the Group and approved by the board of directors.

### 37.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

*The Group*

	2022 RMB'000	2021 RMB'000
<b>Financial assets</b>		
<b>Financial assets at amortised cost</b>		
— Trade and other receivables	314,658	185,526
— Amounts due from related parties	23,164	–
— Restricted bank deposits	32,929	35,887
— Cash and cash equivalents	2,703,119	2,261,445
	<b>3,073,870</b>	2,482,858
<b>Financial liabilities</b>		
<b>Financial liabilities measured at amortised cost</b>		
— Trade and other payables	773,647	597,418
— Amounts due to related parties	126	1,775
— Lease liabilities	15,579	14,170
— Interest-bearing borrowings	10,000	–
	<b>799,352</b>	613,363

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

### 37.2 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group is exposed to credit risk in relation to its cash and cash equivalents, restricted bank deposits, trade and other receivables and amounts due from related parties. The Group's maximum exposure to credit risk in relation to financial assets is limited to their carrying amounts as disclosed in note 37.1.

(i) *Trade receivables — Third parties*

The Group has a large number of customers and there was no concentration of credit risk. Credit risks mainly arises from credit exposure from property owners and third-party non-property owner customers with no credit terms except for the customers of smart community services with credit period ranged from 5 to 60 days, and related party customers with no credit terms. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the reporting date based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for expected credit losses prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables has been grouped based on shared credit risk characteristics and the past due status. The ECL model also incorporate forward-looking information.

(ii) *Trade receivables — Related parties*

The Group expects that the credit risk associated with related parties are considered to be low after considering the factors as set out in note 2.10, since related parties have a strong capacity to meet their contractual cash flow obligations in the near term. Thus, the impact of ECL is insignificant to the consolidated financial statements. During the year ended 31 December 2022, RMB Nil (2021: RMB91,000) ECL allowance was provided to trade receivables with related parties.

(iii) *Other receivables other than amounts due from related parties*

For other receivables other than amounts due from related parties, management makes periodic collective assessments on the recoverability of other receivables based on historical settlement records and past experience. The directors believe that there is no material credit risk inherent in the Group's outstanding balance of other receivables. Thus, ECL recognised during the year presented was limited to 12-month ECL and the ECL model also incorporates forward-looking information.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 37.2 Credit risk (Continued)

#### (iii) Other receivables other than amounts due from related parties (Continued)

The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit loss. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating based on historical information;
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtors in the Group and changes in the operating results of the debtor.

As at 31 December 2022 and 2021, the loss allowance provisions on third parties trade receivables were determined, based on due date, as follows.

	Expected loss rate	As at 31 December 2022			Expected loss rate	As at 31 December 2021		
		Gross carrying amount	Loss allowance provision	Net carrying amount		Gross carrying amount	Loss allowance provision	Net carrying amount
		RMB'000	RMB'000	RMB'000		RMB'000	RMB'000	RMB'000
<b>Trade receivables — third parties</b>								
Within 1 year	5%	146,597	(7,315)	139,282	5%	68,876	(3,309)	65,567
1 to 2 years	7%	16,794	(1,137)	15,657	12%	13,300	(1,600)	11,700
2 to 3 years	22%	4,240	(939)	3,301	30%	2,505	(752)	1,753
3 to 4 years	32%	1,099	(355)	744	50%	1,018	(509)	509
4 to 5 years	51%	566	(288)	278	80%	417	(334)	83
Over 5 years	100%	267	(267)	—	100%	327	(327)	—
		<b>169,563</b>	<b>(10,301)</b>	<b>159,262</b>		86,443	(6,831)	79,612

As at 31 December 2022, the Group has adopted average expected loss rate of 5% (2021: 5%) on the gross carrying amounts of other receivables amounted to RMB77,543,000 (2021: RMB54,870,000). The loss allowance as at 31 December 2022 is RMB3,708,000 (2021: RMB2,496,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

### 37.2 Credit risk *(Continued)*

Movements of the Group's loss allowance on trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	6,922	7,266
Provision for/(Reversal of) ECL allowance	3,379	(344)
At the end of the year	10,301	6,922

Movements of the Group's loss allowance on other receivables based on 12-month ECL are as follows:

	2022 RMB'000	2021 RMB'000
At the beginning of the year	2,496	1,684
Provision for ECL allowance	1,212	812
At the end of the year	3,708	2,496

For cash and cash equivalents and restricted bank deposits, the Group has assessed that they were placed at banks with high-credit ratings assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.



# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS (Continued)

### 37.3 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, amounts due to related parties, lease liabilities and interest-bearing borrowings and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and longer term.

Analysed below is the Group's remaining contractual maturities for its non-derivative financial liabilities as at 31 December 2022 and 2021. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

	Within 1 year or on demand RMB'000	Over 1 year but within 2 years RMB'000	Over 2 years but within 5 years RMB'000	Over 5 years RMB'000	Total undiscounted contractual amount RMB'000	Carrying amount RMB'000
<b>As at 31 December 2022</b>						
Trade and other payables	773,647	–	–	–	773,647	773,647
Amounts due to related parties	126	–	–	–	126	126
Lease liabilities	3,827	3,012	2,190	11,931	20,960	15,579
Interest-bearing borrowings	1,502	3,009	5,500	–	10,011	10,000
	<b>779,102</b>	<b>6,021</b>	<b>7,690</b>	<b>11,931</b>	<b>804,744</b>	<b>799,352</b>
<b>As at 31 December 2021</b>						
Trade and other payables	597,418	–	–	–	597,418	597,418
Amounts due to related parties	1,775	–	–	–	1,775	1,775
Lease liabilities	6,381	1,533	836	10,618	19,368	14,170
	<b>605,574</b>	<b>1,533</b>	<b>836</b>	<b>10,618</b>	<b>618,561</b>	<b>613,363</b>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

## 37. FINANCIAL RISK MANAGEMENT AND FAIR VALUE MEASUREMENTS *(Continued)*

### 37.4 Interest rate risk

The Group is exposed to the cash flow interest rate risk for its bank deposits, interest-bearing borrowings and fair value interest rate risk for its lease liabilities. Both of which are mainly concentrated on the fluctuation of the market interest rate from banks. No sensitivity analysis is presented since the directors consider the exposure of cash flow interest rate and fair value interest rate risk arising from variable-rate bank deposits and lease liabilities, respectively, will not be significant in the near future.

### 37.5 Foreign currency risk

Foreign currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

The Group operates mainly in PRC and majority of the transactions are denominated and settled in the functional currency of respective entities within the Group, RMB. For the years ended 31 December 2022 and 2021, the Group did not have significant foreign currency risk from its operations.

### 37.6 Fair value of financial assets and liabilities carried at other than fair value

The carrying amounts of the financial instruments of the Group's carried at cost or amortised cost are not materially different from their fair values as at 31 December 2022 and 2021.

## 38. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The Group actively and regularly reviews its capital structure and makes adjustments in light of changes in economic conditions. The Group monitors its capital structure on the basis of the net debt to equity ratio. For this purpose, net debt is defined as interest-bearing borrowings less cash and cash equivalents. In order to maintain or adjust the ratio, the Group may adjust the amount of dividends paid to the shareholders, issue new shares and raise new debt financing.

During the year ended 31 December 2022, the Group's strategy in monitoring its capital structure was to maintain a sufficient cash level to meet its liquidity requirements. In order to maintain or adjust the cash level, the Group may issue new shares, raise new debts financing or sell assets to increase the cash level.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

# FIVE-YEAR FINANCIAL SUMMARY

## FINANCIAL RESULTS

	Year ended 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Revenue	<b>2,290,473</b>	1,556,645	1,028,574	801,330	608,618
Gross profit	<b>536,996</b>	389,356	251,680	183,397	140,891
Profit before income tax	<b>324,709</b>	205,052	143,874	93,663	66,451
Profit for the year	<b>251,318</b>	160,902	106,838	68,285	48,483
Profit for the year attributable to the equity owners of the Company	<b>247,212</b>	159,374	106,118	68,181	47,835

## ASSETS, LIABILITIES AND EQUITY

	As at 31 December				
	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000	2018 RMB'000
Non-current assets	<b>149,657</b>	101,451	53,195	70,352	46,897
Current assets	<b>3,156,916</b>	2,511,237	1,043,635	1,482,708	1,393,007
Non-current liabilities	<b>28,409</b>	15,227	14,177	908,969	1,027,200
Current liabilities	<b>2,005,461</b>	1,566,203	668,000	466,667	353,627
Net current assets	<b>1,151,455</b>	945,034	375,635	1,016,041	1,039,380
Total equity	<b>1,272,703</b>	1,031,258	414,653	177,424	59,077