華發物業服務集團有限公司

Huafa Property Services Group Company Limited

*(Incorporated in Bermuda with limited liability)*

(Stock code: 982)

# 2023

ANNUAL REPORT

# CONTENT



# MILESTONES

**APR 2023**

In April 2023, Huafa Property was ranked the 16th amongst the Top 100 Property Service Enterprises in China, and was honored as "Excellent Enterprise of State-owned Property Service for 2023 in China" and "2023 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China".

**JUN 2023**

In June 2023, the Zhuhai Municipal People's Government announced that Huafa Property was awarded the 6th Zhuhai Mayor's Quality Award (第六屆珠海市市長質量獎).

**OCT 2023**

In October 2023, Huafa Property won the bidding for the property service projects of the second line passages of Hengqin Deep Cooperation Zone.

**DEC 2023**

In December 2023, Huafa Property was awarded the title of "National Advanced Organization for Implementing Excellent Performance in 2023" (2023年度實施卓越績效先進組織) by China Association for Quality.

# AWARDS AND HONORS

**APR 2023**

16th amongst the Top 100 Property Service Enterprises in China in 2023

**APR 2023**

Excellent State-owned Property Service Enterprise for 2023 in China (2023中國國有物業服務優秀企業)

**APR 2023**

China's Top 100 Leading Enterprises in terms of Property Service Satisfaction in 2023

**APR 2023**

The 6th Zhuhai Mayor's Quality Award (第六屆珠海市市長質量獎)

**MAY 2023**

8th amongst the Top 10 Listed State-owned Property Enterprises in China in 2023 (2023中國國資上市物企 10 強第 8 名)

**MAY 2023**

2023 Top 5 Listed Property Enterprises in terms of Operational Stability in China (2023中國上市物企經營穩健 Top 5)

**MAY 2023**

Top 10 Development Potential of China's Leading Property Management Listed Companies in 2023 (2023中國物業管理上市公司領先企業發展潛力TOP 10)

**MAY 2023**

Advanced Unit for Helping the Disabled (扶殘助殘先進單位)

## AWARDS AND HONORS

**JUL 2023**

Vice President Unit of the Sixth Session of Council of Zhuhai Quality Association (珠海市質量協會第六屆理事會副會長單位)

**AUG 2023**

AAA-level Service-oriented and Trustworthy Enterprise (AAA 級重服務守信用企業)

**SEP 2023**

Property Growth Brand Enterprise in 2023 (2023年物業成長性品牌企業)

**DEC 2023**

2023 Guangdong Property Service Comprehensive Development Strength Enterprise (2023廣東省物業服務綜合發展實力企業)

**DEC 2023**

2022–2023 Guangdong Property Management Industry Integrity Benchmark Enterprise Award (2022–2023廣東省物業管理行業誠信標桿企業獎)

**DEC 2023**

2023 Greater Bay Area Property Service Brand Enterprise (2023大灣區物業服務品牌企業)

**DEC 2023**

"Best Member" of Guangdong Property Management Industry Association in 2023 (2023年度廣東省物業管理行業協會「最佳會員」)

**DEC 2023**

National Advanced Organization for Implementing Excellent Performance in 2023 (2023年度全國實施卓越績效先進組織)

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### Executive directors

Mr. Zhou Wenbin *(Chairman and Chief Executive Officer)*
Mr. Li Guangning
Mr. Xie Wei
Mr. Xie Hui (resigned on 20 April 2023)
Mr. Dai Geying (appointed on 20 April 2023)
Ms. Luo Bin (appointed on 20 April 2023)
Mr. Gu Yuanping

### Non-executive director

Mr. Zou Chaoyong (resigned on 20 April 2023)

### Independent non-executive directors

Dr. Chen Jieping
Mr. Pu Yonghao
Mr. Guo Shihai

## AUDIT COMMITTEE

Dr. Chen Jieping *(Chairman)*
Mr. Pu Yonghao
Mr. Guo Shihai

## REMUNERATION COMMITTEE

Mr. Pu Yonghao *(Chairman)*
Dr. Chen Jieping
Mr. Guo Shihai
Mr. Xie Wei
Mr. Zhou Wenbin

## NOMINATION COMMITTEE

Mr. Guo Shihai *(Chairman)*
Dr. Chen Jieping
Mr. Pu Yonghao

## LEGAL ADVISER

Bird & Bird

## AUDITOR

Ernst & Young
*Certified Public Accountants*
*Registered Public Interest Entity Auditor*

## JOINT COMPANY SECRETARIES

Mr. Gu Yuanping (appointed on 20 April 2023)
Ms. Chan Sau Ling
Mr. Zhou Dong (resigned on 20 April 2023)

## HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

Room 3605, 36/F
Cheung Kong Center
2 Queen's Road Central
Central
Hong Kong

## REGISTERED OFFICE

Clarendon House
2 Church Street
Hamilton HM11
Bermuda

## BERMUDA PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

MUFG Fund Services (Bermuda) Limited

## HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited

## PRINCIPAL BANKERS

Hang Seng Bank Limited
Dah Sing Bank Limited

## BERMUDA RESIDENT REPRESENTATIVE

Conyers Corporate Services (Bermuda) Limited

## AUTHORISED REPRESENTATIVES

Mr. Zhou Wenbin
Ms. Chan Sau Ling

## PLACE OF LISTING

The Stock Exchange of Hong Kong Limited
(the "Stock Exchange")

## STOCK CODE

982

## WEBSITE ADDRESS

www.huafapropertyservices.com

# FIVE YEAR SUMMARY

| | Year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| RESULTS FROM CONTINUING OPERATIONS | | | | | |
| Revenue | **1,775,742** | 1,599,056 | 1,283,491 | 943,796 | 843,761 |
| Profit before income tax | **349,154** | 288,864 | 217,414 | 125,172 | 104,537 |
| Income tax expense | **(98,893)** | (94,392) | (61,148) | (42,336) | (33,707) |
| Profit from continuing operations | **250,261** | 194,472 | 156,266 | 82,836 | 70,830 |

| | As at 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| ASSETS AND LIABILITIES | | | | | |
| Total assets | **1,047,171** | 989,622 | 860,300 | 867,570 | 1,051,776 |
| Total liabilities | **(799,176)** | (983,540) | (986,609) | (1,171,538) | (677,202) |
| Total equity/(deficit) | **247,995** | 6,082 | (126,309) | (303,968) | 374,574 |

# CHAIRMAN'S STATEMENT

Dear Shareholders,

On behalf of the board (the "Board") of directors (the "Directors"), I am pleased to report that for the year ended 31 December 2023, Huafa Property Services Group Company Limited ("Huafa Property Services" or the "Company") and its subsidiaries (collectively, the "Group"):

The year of 2023 marks a milestone in the history of the Group. By fully implementing its core strategy of "strengthening our strengths and building a moat", the Group overcame the adverse impact of the recurring pandemic. And we focused on sustainability and stability of service quality and growth, a two-pronged approach, resulting in another good performance in all operating indicators.

## I. STEADY PROGRESS AND SUSTAINED GROWTH IN OPERATING RESULTS

With the premise of achieving high-quality development, the Group achieved steady growth in performance. In 2023, the Group continued to optimize its management structure, deepen the cultivation of talents and focus on improving per capita efficiency. With service quality as its lifeline, the Group achieved a healthy trend of steady growth in both revenue and profit. The Group achieved a revenue of approximately RMB1,775.7 million, an increase of about 11.0% compared with approximately RMB1,599.1 million for the full year of 2022. Profit for the year attributable to owners of the Company was approximately RMB249.2 million, an increase of about 28.8% compared with approximately RMB193.4 million for the full year of 2022.

With first-class service quality, rich industry experience and leading brand strength, the Group has been highly recognized by the industry. This year, it won many awards such as "the 16th among the Top 100 Property Service Enterprises in China in 2023", "Excellent State-owned Property Service Enterprise for 2023 in China", "2023 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China", "the 8th among the Top 10 Listed State-Owned Property Service Enterprises in China in 2023" and "2023 Advanced Organization for Implementing Excellent Performance".

**This year, we adopted the double driving "organic + external" to achieve our orderly and high-quality development**

Stable growth in scale is the cornerstone of high-quality corporate development. In the face of the adverse impact of the recurring pandemic, the Group has responded to the challenges and refined its management based on the "city" to increase the density of projects and the breadth of services in core areas. Internally, we maintained good cooperation with related real estate development companies, cooperated with the demand of real estate development enterprises for service refinement, optimization and diversification, and ensured stable growth of projects under management with customer demand-oriented graded management. At the same time, with our professional service capability and good reputation, we actively explored the third-party market and successfully won the bidding of several property projects. For the year ended 31 December 2023, we covered 42 major cities across the country, with a total of 390 projects under management, and a total contract area of approximately 31.44 million square meters under management, representing an increase of 29% year-on-year. A total contract area was 60.64 million square meters, representing an increase of 17% year-on-year. The Group has formed a comprehensive layout with the Guangdong-Hong Kong-Macao Greater Bay Area as the core and covering the whole country. The Group has sufficient scale reserve as a backup support with the contract in management ratio of 1.93, which also lays a good foundation for the subsequent realization of scale effect and value-added service upgrade for property owners.

**This year, we achieved multi-format of management**

The Company committed to diversifying its management business. On the basis of maintaining its core strengths in the residential sector, it has been "deepening its efforts" in government and corporate services. It also expanded its non-residential business by accelerating the systematic development of its commercial business and breaking through the boundaries of its urban services business.

In 2023, the Group gave full play to the advantages of property management service companies with state-owned enterprise background, and successively undertook property management for a series of non-residential projects such as the "second line" passages and premises of Hengqin Guangdong-Macao Deep Cooperation Zone, JD South China Logistics Park, Huizhou Community of Qianhai Life Happiness Town, Zhuhai Chimelong Spaceship and Imperial Hot Spring Resort. These helped the Group to further enhance and consolidate its share of public construction properties, continue to deepen its efforts in the field of FM facility management, and achieve a breakthrough in the tourism business.

In particular, the "second line" passages and premises of Hengqin Guangdong-Macao Deep Cooperation Zone is the leading subject in the investment and development market of the national property service industry. It can not only build the Company's brand, but also enable the Company to go global and reach the top of the industry. We deeply explored the resources of Qianhai Life and successfully signed a contract with Qianhai Life Huizhou in relation to property special services for Huizhou Community District 1 and 2 of Qianhai Life Happiness Town, marking Huafa Property's effective use and exploration of partners' resources, and the expansion of the external business into diversified development.

**This year, our value-added services closely focused on the needs of property owners and provided full life cycle community life services**

During the year, facing the downward pressure on the economy, the Group's revenue from value-added services for property owners amounted to approximately RMB160 million. Starting from improving service quality and meeting the needs of property owners, we have focused on five major value-added services including home services, asset management services, house decoration services, new community retailing and space operation management. By integrating community traffic and resource advantages, we have provided property owners with full life cycle community life services based on different service stages including the delivery stage, transition stage and mature stage. During the delivery stage, happiness delivery is the core. According to the actual situation of the community, we focus on house decoration services and link asset management services and housekeeping services to allow property owners to move in without worries. During the transition stage, we focus on quality service and customer satisfaction, and provide property owners with one-stop value-added services including housekeeping and cleaning, community supermarkets, asset management and space management around a better home. In the mature stage, for communities that have been in business for more than ten years, we focus on revitalizing life and providing value-added services including redevelopment and partial renovation, asset replacement, convenient supermarkets and home services, so as to continue to maintain a sound life service experience for property owners.

**This year, we improved our service capabilities in multiple dimensions and set a new benchmark for industry brands**

During 38 years of development, the Group has always insisted on quality first and regarded service quality as the lifeline of development, fulfilling the promise of "With Me, You Can Rest Assured". The Group orients to customer satisfaction, meeting and exceeding customer expectations. We have refreshed the off-site regional management model, strengthened the coordination mechanism of real estate and property service enterprise, and jointly created the Super Huafen Festival IP event. With high-quality and warm services, we join hands with our "neighbors" for the Huafa-style beautiful life, and meanwhile renew the property owners' home route and improve the living environment through multiple touch points, achieving significant improvements in customer satisfaction and brand influence. Huafa Property's scores in FG China's 2023 third-party customer satisfaction survey have increased significantly, ranking second in the industry in terms of improvement. Huafa Property has won the titles of "the 16th among the Top 100 Property Service Enterprises in China in 2023", "China's Top 100 Leading Enterprises in terms of Property Service Satisfaction in 2023" and "the 8th among the Top 100 Property Service Companies in the Guangdong-Hong Kong-Macao Greater Bay Area in 2023" and other dozens of awards and honors, and has been awarded the "6th Zhuhai Mayor's Quality Award" by the Zhuhai Quality Association.

**This year, we anchored on scientific and technological innovation and promoted the "dual drive" of scientific and technological achievements and results**

Focusing on the three major management goals of "refined management, reducing costs and increasing efficiency", "improving services and increasing business revenue" and "deepening functions, improving IT project management and service capabilities", through key system construction, share integration construction, iterative optimization construction and project management construction, we have comprehensively implemented refined management, and accurately improved service capabilities. Meanwhile, the Construction of a Smart Community Management and Control Platform Integrating "Visualization, Management, Control and Prevention" was successfully selected into the "National Smart Enterprise Innovation Practice Case" hosted by the China Enterprise Confederation.

The first is to strengthen the construction of internal management platforms to ensure high-quality business development. Huafa Property has improved financial sharing projects, supply chain iteration and optimization, parking lot renovation, charging system and master data management to further improve operational efficiency and refined management and control; The second is to comprehensively carry out the construction of customer service platform to improve service capabilities and user satisfaction. Through the construction of customer operation platform and iterative optimization of "Huawu Youxuan（華物優選）", we have a clearer understanding of customers, better service to customers and improved customer satisfaction. As of 31 December 2023, Enterprise WeChat had added 186,000 customers, with a cumulative house binding rate of 50.5% and an intake binding rate of 57.8%. 36,473 orders have been completed on Huawu Youxuan（華物優選）, with a cumulative transaction amount of approximately RMB11 million. The third is to establish a scientific management system and enhance project management and operation and maintenance management capabilities. Through measures including system construction, training management and point incentives, we have strengthened communication and collaboration, risk management, quality control, document recording and version control, enhanced the operation and maintenance management system, as well as provided training support, regular evaluation and improvement and incentives, improving the team's collaboration ability, work efficiency and quality, and providing powerful information and security guarantee for the Company's sustainable development.

**This year, we continued to strengthen risk management and control and built a solid line of defense for safe production**

In terms of risk management and control, the first is to promote new development and fill the vacancies in the "investment and mergers and acquisitions" function. Taking the three aspects of "risk control", "investment management" and "front and back", Huafa Property has actively filled functional vacancies and formulated investment and merger and acquisition processes, specifications and templates. At present, the Project Meeting Report Template (review version) has been initially designed and completed. It is centered on the design of the enterprise or project investment plan and is divided into four parts: investment bid, operation plan, calculation and evaluation, and conclusions and suggestions; We have coordinated and organized research and demonstration on proposed investment projects, assessed the market value of enterprises or projects, and proposed analysis templates for investment in enterprises or projects. The second is to achieve new breakthroughs and actively meet the consulting needs of functional lines. Taking complaint cases, risk assessment and planning as the starting point, we have produced a total of 9 written replies and conducted 3 economic responsibility audits to fulfill the consulting needs of functional departments and further empower high-quality development.

In terms of safe production, the first is to improve the responsibility system and implement safety responsibilities at all levels. In accordance with the requirements of the Production Safety Law and relevant laws and regulations, 49 systems including the Huafa Property Fire Safety Management System (Trial) and the Fire Safety Management System for High-Rise Civil Buildings (Trial) were revised; and all employees have signed a letter of responsibility, and a total of 11,511 safety production responsibility letters were signed. The second is to implement safety inspections and rectifications and eliminate various safety hazards in a timely manner. According to the mechanism of "to uphold the red line and conduct inspection, priority and elimination", we have adopted the "no notice, no greeting, no report, no accompanying reception, straight to the grassroots level, and direct access to the scene" approach, combining safety inspections in key areas, special safety inspections and monthly inspections to conduct comprehensive safety hazard inspections in the areas under management. During the year, there were a total of 3,771 inspections, with 18,527 people participating in the inspections. 16,658 hidden dangers were discovered, and 16,423 rectifications were completed, with a rectification completion rate of 98.5%. We have formulated hidden danger rectification plans for problems discovered during inspections, implemented an accountability system and assigned responsibilities to individuals to effectively manage and control safety risks. The third is to strengthen training, education and publicity to improve the safety awareness of all employees. During the year, a total of 7,929 online and offline training sessions were carried out, with a total of 98,082 people participating in the training; a total of 845 activities to watch safety production warning films were organized, with a total of 21,687 people participating; To promote safety knowledge through multiple channels, we have carried out a total of 2,490 safety publicity activities, with a total of 42,275 people participating, further enhancing the safety awareness of employees and customers. The fourth is to strengthen emergency management and always be prepared for emergencies. By improving the emergency plan system, we have carried out emergency drills for units at all levels, effectively allocated emergency supplies and equipment for wind and flood prevention, cold protection and riot prevention according to the actual conditions of different periods and management areas, and made emergency precautions against various severe weather.

**This year, we adhered to the concept of led by culture to create an enterprise with strong culture**

Based on the past operations, the Group has formed a corporate culture system with its own characteristics. Insisting on the central task of "promoting righteousness and improving service", the core concept of "With Me, You Can Rest Assured" and the value of "righteousness, quality and care", we focus on the construction of corporate culture and improving the soft power of the enterprise. After months of sorting, refining and polishing, we released the corporate culture manual "Gathering Light" in October 2022. Through promotional activities, we made the corporate culture fully covered, permanent and received in the Group, and blossom into a more vigorous vitality. In the future, we will continue to put our corporate culture into practice and promote the construction of a strong cultural enterprise in terms of talent management, community culture and employee care.

## II. FUTURE OUTLOOK: WE WILL CONTINUE TO EXCEL AND WORK HARD

The past is the opening, the future can be expected. In January 2023, Zhuhai Huafa Properties Co., Ltd (珠海華發實業股份有限公司) ("Huafa Properties") formally became the indirect controlling shareholder of the Company. The Group will strengthen the linkage with Huafa Properties, keep pace with the expansion of Huafa Properties and other related real estate development enterprises, and enhance the business adhesion and service power with the properties. The Group will further deepen the business combination system based on property services and lifestyle services as the main business, and cultivate strategic incubation businesses such as home management, community rental and sales, and new retail. With these efforts, the Group strives to become a community life service provider and comprehensive facility service provider with global vision, quality innovation, knowledge management and practicing social responsibility.

In 2024, the Group will actively implement the national high-quality development requirements, stick to its original aspiration, and take "culture guidance, quality assistance, and high-quality development" as the main tone of its operation and management. We will focus on "improvement of service capabilities", "increase of collection rate", "value-added services", "business expansion" and "refined management" to fight hard and accelerate the growth into a property management enterprise that matches the scale and market competitiveness of the main real estate business.

Here, I would like to convey my sincere gratitude to our shareholders and clients for their trust and support, and take this opportunity to thank our Board, management team and staff for their outstanding contribution and unremitting dedication in the past year.

**Zhou Wenbin**
*Chairman of the Board*

Hong Kong, 28 February 2024

# MANAGEMENT DISCUSSION AND ANALYSIS

## OVERVIEW

The Group is committed to becoming a community life operator and comprehensive facility service provider with a global vision, adhering to quality innovation, advocating knowledge management and practising social responsibility. Having been deeply involved in the property service industry for 38 years, the Group has developed from a regional property management enterprise into a national life service enterprise, forming a business pattern based in the Greater Bay Area and covering the whole country. As of 31 December 2023, the Group had a total contracted gross floor area ("GFA") of approximately 60.64 million sq.m. (the corresponding period of 2022: approximately 51.82 million sq.m.). The Group provided property management services and value-added services to 390 properties (the corresponding period of 2022: 302 properties), with an aggregated revenue-bearing GFA of approximately 31.44 million sq.m. (the corresponding period of 2022: approximately 24.37 million sq.m.).

We stay true to our original aspiration. The Group adheres to the original intention of service, regards quality service as the lifeblood and red line of enterprise development, always adheres to the professional, standardized and refined service requirements, pays attention to customer needs, continuously promotes the deepening of service development, and strives to provide customers with intelligent and warm service. During the Reporting Period, the Group has been highly recognized by the industry for its world-class service quality and leading brand strength, and received many honors, including the "16th amongst the Top 100 Property Service Enterprises in China in 2023 (“2023中國物業服務百強企業”第16名)", "Excellent State-owned Property Service Enterprise for 2023 in China (2023中國國有物業服務優秀企業)", "China's Top 100 Leading Enterprises in terms of Property Service Satisfaction in 2023 (2023中國物業服務百強滿意度領先企業)", the "2023 Top 5 Listed Property Enterprises in terms of Operational Stability in China (2023中國上市物企經營穩健TOP 5) and the "6th Zhuhai Mayor's Quality Award (第六屆珠海市市長質量獎)".

## BUSINESS REVIEW

The Group's main business is property management services, comprising three business categories: (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services, and hotel advisory and exhibition services.

## PROPERTY MANAGEMENT SERVICES

### (I) Basic property services

The Group provides a series of basic property services including security, cleaning and landscaping and repair and maintenance of public facilities for property owners, residents and property developers. Property management portfolio involves residential property and non-residential property, and businesses under management include residential community, commercial and office buildings, government buildings and public facilities, hospitals, schools and industrial parks.

For the year ended 31 December 2023, the basic property services segment contributed approximately RMB1,273,207,000 of revenue to the Group (the corresponding period of 2022: approximately RMB1,049,530,000), representing a year-on-year increase of approximately 21.3% as compared with the year ended 31 December 2022.

## OUR GEOGRAPHIC DISTRIBUTION

As of 31 December 2023, Huafa Property Services Company Limited*（華發物業服務有限公司）(“Huafa Property”) managed a portfolio of properties covering 42 (the corresponding period of 2022: 42) key cities in the PRC including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chongqing and Nanjing, forming a development trend foothold in the Greater Bay Area and covering the whole country.

The table below sets forth a breakdown of the Group’s total revenue-bearing GFA and revenue by geographical area for the periods or as at the dates indicated:

| | For the year ended 31 December or as at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | **2023** | | | 2022 | | |
| | **Revenue-bearing GFA ('000 sq.m.)** | **Revenue (RMB'000)** | **%** | Revenue-bearing GFA ('000 sq.m.) | Revenue (RMB'000) | % |
| Greater Bay Area | **21,191** | **929,286** | **73.0** | 16,168 | 775,901 | 73.9 |
| Bohai Bay Area | **4,307** | **122,793** | **9.6** | 3,842 | 102,043 | 9.7 |
| Yangtze River Delta | **1,722** | **102,564** | **8.1** | 1,207 | 77,572 | 7.4 |
| Central China | **4,220** | **118,564** | **9.3** | 3,156 | 94,014 | 9.0 |
| Total | **31,440** | **1,273,207** | **100.0** | 24,373 | 1,049,530 | 100.0 |

## THIRD-PARTY EXPANSION OPPORTUNITIES

While maintaining a close business relationship with Zhuhai Huafa and its subsidiaries, associates and joint ventures (excluding the Group) (“Zhuhai Huafa Group”) in respect of property management services, the Group has actively taken advantages of its state-owned enterprise background and resources to positively expand its business by leveraging on its excellent service quality and good reputation in the industry. We have been able to achieve diversification of our businesses under management and high quality growth in management scale through the ”organic + external” market approach.

During the Reporting Period, Huafa Property was successful in winning bids for a number of tourism, hospital and public building management projects, including the Fifth People’s Hospital of Zhuhai（珠海市第五醫院）, property services of Jingdong South China Park（京東華南園區）, the People’s Hospital of Bayi District of Linzhi City（林芝市巴宜區人民醫院）, logistics services of gas stations of SINOPEC Guangdong Zhongshan Petroleum Branch, Yuwenquan Resort（御溫泉度假村）, property services of the ”second line” access and premises of Hengqin Guangdong-Macao Deep Cooperation Zone, and the public area of Zhuhai Chimelong SpaceShip, which has further consolidated the deployment of Huafa Property in various fields. Huafa Property formally stationed in Zhuhai Hi-Tech Zone（珠海高新區）and Pingsha 5.0 Industrial Park（平沙5.0產業園）, opening a new chapter in the expansion of Huafa Property’s services in the specialized industrial park sectors.

As at 31 December 2023, the Group’s revenue-bearing GFA increased by 29% on a year-on-year basis, including a 59.2% year-on-year increase in the revenue-bearing GFA of properties developed by independent property developers, and a 16.6% year-on-year increase in revenue from properties developed by independent property developers during the Reporting Period.

* *For identification purposes only*

The table below sets forth the breakdown of the Group's total revenue-bearing GFA and revenue by project source for the periods or as at the dates indicated:

| | For the year ended 31 December or as at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Revenue-bearing GFA ('000 sq.m.) | Revenue (RMB'000) | % | Revenue-bearing GFA ('000 sq.m.) | Revenue (RMB'000) | % |
| Properties developed by Zhuhai Huafa Group | **26,368** | **1,066,650** | **83.8** | 21,187 | 872,415 | 83.1 |
| Properties developed by independent property developers | **5,072** | **206,557** | **16.2** | 3,186 | 177,115 | 16.9 |
| Total | **31,440** | **1,273,207** | **100.0** | 24,373 | 1,049,530 | 100.0 |

## BUSINESS DISTRIBUTION

The Group's business covers a variety of property types, including residential properties, non-residential properties (such as office buildings, shopping malls, government buildings, ports, industrial parks, schools, hospitals, etc.), as well as providing other specialized high-quality customized services. As at 31 December 2023, the revenue-bearing GFA of non-residential properties under management of the Group was approximately 9.4 million sq.m., representing an increase of approximately 70.4% compared with approximately 5.5 million sq.m. as at 31 December 2022.

The table below sets forth the breakdown of the Group's total revenue-bearing GFA and revenue by property type for the periods or as at the dates indicated:

| | For the year ended 31 December or as at 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2023 | | | 2022 | | |
| | Revenue-bearing GFA ('000 sq.m.) | Revenue (RMB'000) | % | Revenue-bearing GFA ('000 sq.m.) | Revenue (RMB'000) | % |
| Residential properties | **22,054** | **767,359** | **60.3** | 18,864 | 652,349 | 62.2 |
| Non-residential properties | **9,386** | **505,848** | **39.7** | 5,509 | 397,181 | 37.8 |
| Total | **31,440** | **1,273,207** | **100.0** | 24,373 | 1,049,530 | 100.0 |

**(II) Value-added services for property owners**

The Group provides property owners with rich and professional full-cycle value-added services, including: (i) home services, such as housekeeping and cleaning services, repair and maintenance services, etc.; (ii) space operations, including community public area leasing and elevator advertising space, and charging pile operation business piloted during the Reporting Period; (iii) new community retailing, which relies on the online platform of "Huawu Youxuan（華物優選）" to provide property owners with a variety of products and services based on their needs; (iv) vehicle management services; and (v) other services.

During the Reporting Period, the Group's revenue from value-added services for property owners amounted to approximately RMB159,972,000, representing a year-on-year decrease of approximately 6.8% from approximately RMB171,716,000 for the year ended 31 December 2022. The decrease in revenue was mainly due to the new community retailing business being split into smaller businesses and the scope of the business being appropriately reduced with a greater focus on service enhancement.

**(III) Other value-added services**

We mainly provide (i) supporting services for developers, including security, cleaning, landscaping and repair and maintenance services to property developers in the pre-delivery stage; consulting services on pre-sale business management for property developers and consulting services on properties managed by other property management companies; (ii) urban services, namely smart city integrated comprehensive services centered on urban space management, urban community governance, urban resource operation and smart park services, including waste classification, sanitation and cleaning, landscaping, municipal maintenance and ecological and environmental protection; (iii) intelligent services for building elevators. The Group has more than 20 years of rich experience in building intelligentization, mechanical and electrical equipment and facility management, maintenance, repair and replacement and transformation and is taking over a number of out-of-system businesses with professional qualifications and good reputation; (iv) security services. The security business of the Group has formed a business development model based on human security and oriented towards smart security, mobile security, remote security and comprehensive security, covering professional operation of civil air defense, material defense, technical defense, labor dispatch, large-scale conference services, bodyguards, public motor vehicle parking lot contracting and management services, property internal security services; and (v) catering services, including canteen dining service, meal delivery, food delivery, afternoon tea and drinking water and other businesses. In the future, we will continue actively create an excellent quality catering service system, and strive to become a demonstration benchmark for Zhuhai's catering industry.

During the Reporting Period, the Group's revenue from other value-added services was approximately RMB342,451,000, representing a year-on-year decrease of approximately 6.1% from approximately RMB364,781,000 for the year ended 31 December 2022.

In 2023, the Group's building elevator engineering company adjusted its business to focus on intelligent engineering and the photovoltaic industry and to capitalize on the Group's synergistic strengths in these industries, took the initiative to shrink its other engineering businesses, resulting in a decline in revenue as compared with that in 2022.

## HOTEL ADVISORY AND EXHIBITION SERVICES

During the Reporting Period, the Group's hotel advisory and exhibition services businesses contributed revenue of approximately RMB112,000 to the Group. As the Group focused on property management services with an intensive cultivation in an increasingly competitive market and the profit of the hotel business dropped drastically as affected by the general environment during the COVID-19 pandemic period, thus the Group tightened its investment in the hotel business in light of the market situation. Subsequently, the feasibility of the investment in the hotel advisory and the exhibition services business model will be reassessed based on the latest market environment and industry trends.

## FINANCIAL REVIEW

### Revenue

The Group is principally engaged in property management services, hotel advisory and exhibition services. Revenue from property management services accounted for approximately 99.9% of the total revenue, which is mainly derived from (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services.

For the year ended 31 December 2023, the Group's total revenue amounted to approximately RMB1,775,742,000 (2022: RMB1,599,056,000), representing an increase of approximately 11.0% as compared with the year ended 31 December 2022. In particular, revenue from property management services amounted to approximately RMB1,775,630,000 (2022: RMB1,586,027,000), representing an increase of approximately 12.0% as compared with the year ended 31 December 2022, which was mainly due to the increase in revenue resulting from the continuous expansion of the Group's management scale.

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

| | **For the year ended 31 December** | | | | |
|---|---|---|---|---|---|
| | **2023** | | 2022 | | |
| | **RMB'000** | **Percentage of revenue (%)** | RMB'000 | Percentage of revenue (%) | Growth rate (%) |
| Property management services | **1,775,630** | **100.0** | 1,586,027 | 99.2 | 12.0 |
| – Basic property services | **1,273,207** | **71.7** | 1,049,530 | 65.6 | 21.3 |
| – Value-added services for property owners | **159,972** | **9.0** | 171,716 | 10.8 | –6.8 |
| – Other value-added services | **342,451** | **19.3** | 364,781 | 22.8 | –6.1 |
| Hotel advisory and exhibition services | **112** | **0.0** | 13,029 | 0.8 | –99.1 |
| Total | **1,775,742** | **100** | 1,599,056 | 100 | 11.0 |

**Cost of sales**

For the year ended 31 December 2023, the Group's total cost of sales amounted to approximately RMB1,297,831,000 (2022: RMB1,203,261,000), representing an increase of approximately 7.9% as compared with the year ended 31 December 2022. The increase in cost of sales was mainly due to the increase in the total revenue-bearing GFA of the Group and the increase of number of projects under management, which resulted in the increase in relevant staff costs and outsourcing costs.

**Gross profit**

For the year ended 31 December 2023, the Group's gross profit amounted to approximately RMB477,911,000 (property management segment: RMB477,815,000), representing an increase of approximately 20.7% from RMB395,795,000 (property management segment: RMB391,268,000) for the year ended 31 December 2022.

**Other income and other (losses)/gains, net**

For the year ended 31 December 2023, the Group's other income and other (losses)/gains, net amounted to approximately RMB1,737,000, representing a decrease of approximately 105.9% from RMB29,560,000 for the year ended 31 December 2022, which was mainly due to a decrease of the exchange (loss)/gain, net recognized for the change in exchange rates.

**Administrative expenses**

For the year ended 31 December 2023, the Group's total administrative expenses amounted to RMB82,353,000, representing a decrease of approximately 16.8% from approximately RMB98,979,000 for the year ended 31 December 2022. Such decrease was mainly due to that by adhering to the consistent principle of being prudent, the management of the Company (the "Management") proactively expanded its operations while reducing costs and increasing efficiency.

**Finance costs, net**

For the year ended 31 December 2023, the Group's total finance costs, net amounted to approximately RMB14,563,000, representing an increase of approximately 48.2% from RMB9,827,000 for the year ended 31 December 2022, which was mainly due to the increase in bank borrowing interest expenses resulted from the continued interest rate hikes by banks affected by the United States since 2023.

**Profit for the year**

For the year ended 31 December 2023, the Group's profit for the year amounted to approximately RMB250,261,000, representing an increase of approximately 28.7% from RMB194,472,000 for the year ended 31 December 2022. Profit for the year ended 31 December 2023 attributable to owners of the Company was approximately RMB249,184,000, representing an increase of approximately 28.8% from RMB193,410,000 for the year ended 31 December 2022.

## LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB382,445,000 (2022: approximately RMB454,457,000) with bank borrowings of RMB175,560,000 (2022: RMB381,355,000). The Group held current assets of approximately RMB953,480,000 (2022: approximately RMB898,029,000) and total current liabilities of approximately RMB793,274,000 (2022: approximately RMB952,959,000). The Group's current ratio, being total current assets over total current liabilities, was 1.2 (2022: 0.9). Total reserves of the Group was approximately RMB241,969,000 as at 31 December 2023 (2022: RMB269,000). The Group's gearing ratio, being total liabilities over total assets, was 76.3% (2022: 99.4%).

## CAPITAL STRUCTURE

The Group mainly funds its business and working capital requirements by using a mix of internal resources and bank borrowings. Bank borrowings bear effective interest rate from 3.25% to 7.44% per annum (2022: from 1.63% to 7.02% per annum). There was no material change in the capital structure of the Company during the Reporting Period.

## EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

As at 31 December 2023, the Group's interest-bearing financial assets primarily comprised bank deposits and the Group's interest-bearing financial liabilities primarily comprised bank borrowings. As there was no significant financial risk arising from changes in interest rates, the Group had no interest rate hedging policy.

## EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

The Group conducted its business transactions principally in RMB ("RMB"). As at 31 December 2023, most of the Group's bank deposits and cash balances were mainly denominated in Hong Kong Dollar and RMB. Fluctuation of the exchange rates of RMB against foreign currencies could affect the Group's results of operations. During the year ended 31 December 2023, the Group did not use any financial instruments for hedging purpose. In view of the potential RMB exchange rate fluctuations, we will continue to monitor the foreign exchange exposure, and take prudent measures to reduce foreign exchange risks.

## EXPOSURE TO CREDIT RISK

The Group's credit risks mainly arose from trade receivables and other receivables, bank balances and deposits. The Group strove to manage the risk exposure of trade receivables by closely monitoring the payment records of its customers and requesting customer deposits wherever necessary. The credit risk on the bank deposits was limited because of their high credit rating.

## EXPOSURE TO PRICE RISK

The Group's financial asset at fair value through profit or loss is exposed to price risk. The Management closely monitored this risk by performing on-going evaluations of its asset value and market conditions.

## LIQUIDITY RISK

Prudent liquidity risk management implies maintaining sufficient cash and obtaining funding through access to adequate and available credit lines. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short- and long-term.

## SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

Save as disclosed in the abovementioned section headed "Business Review" in this report, the Group neither acquired or disposed of any significant investments or properties, nor carried out any material acquisitions or disposals of the Company's subsidiaries and associates during the Reporting Period.

## EMPLOYEES

As at 31 December 2023, the Group had a total of 9,193 employees (2022: 8,524). Staff costs of the Group amounted to approximately RMB742,907,000 for the year ended 31 December 2023 (2022: approximately RMB719,191,000), which comprised salaries, commissions, bonuses, other allowances, and contributions to retirement benefit schemes. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all its Hong Kong employees. For Mainland employees, social insurance, housing provident fund and pension are provided. The Group structures its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provides training courses and develops training programmes to equip its staff with the necessary skills, techniques and knowledge to enhance their productivity and administrative efficiency.

## PLEDGE OF ASSETS

As at 31 December 2023, the Group had no pledged assets (2022: Nil).

## CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any contingent liabilities (2022: Nil).

## CAPITAL EXPENDITURE

For the year ended 31 December 2023, capital expenditure for property, plant and equipment, right-of-use assets and intangible assets of the Group amounted to approximately RMB18,668,000 (2022: approximately RMB27,514,000).

## CAPITAL COMMITMENTS

As at 31 December 2023, the Group had capital commitments amounting to RMB4,338,000 (2022: RMB3,269,000).

## BUSINESS PLAN

**Enhancing property owners' satisfaction by paying close attention to service capabilities**

The Group has continued to increase its efforts in service capabilities, adhering to the "three-step approaches to quality improvement". On the basis of consolidating basic service quality, the Group will establish its three-tier training system by taking into account of external consulting, continue to optimise the service performance indicators on one policy for one property in different regions, build its benchmarking projects, focus on branding, establish a service publicity framework, and supervise the implementation and promotion of such framework. Adhering to the customer-oriented approach and high standard with high quality, the Group has uniformly improved the overall service capabilities level of residential projects and non-residential projects such as sales office, commercial offices and public structures. Also, through benchmarking itself against the leading peer, the Group will focus on quality management, supplier management and stewardship system, together with the construction of work order center, it will connect the Huafa Group Satisfaction Research Center to build a quality management system that is strongly empowering for employees, further enhancing appraisal work and in line with the Group's rapid development. The Group will continue to improve its customer satisfaction and plan the construction of a property call center on this basis.

**Strengthening business synergies within the Huafa system by increasing efforts in business expansion**

The Group is committed to stabilizing and maintaining the existing market share, maintaining good customer relationship and project renewal, and continuing to implement the project renewal alert mechanism to ensure the winning rate of renewed projects. By integrating internal and external resources and adopting the "organic growth and outreach development" approach, the commercial property and office department actively participated in market competition and collaborated with the commercial management and property companies to develop sales center property management business in an asset-light mode. We will also continue to implement quality and scale outbound development, maintain strategic partnerships with various partners, explore internal and external resources, focus on the development of non-residential projects, mature projects, and projects in regions with a high density of inventory and strong resources and brands, strengthen the quality of our business development personnel, improve diversified customer acquisition channels, and actively seek new high-quality cooperation possibilities. We will continue to strengthen our ability to cooperate with companies in our system to enhance our competitiveness in business development, focus on government projects and new energy fields, and expand the scope of cooperation by playing the role of a community life operator and integrated facility service provider.

**Focusing on the needs of property owners, serving the main real estate business, and improving value-added services**

The Group has given full play to the professional strength and advantages of the property company to optimise business operation guidelines and management standard systems, organise business incentive plans and provide business-related training while benchmarking against the leading companies. The Group has followed up on the house decoration business of newly delivered projects, integrated high-quality merchant resources, and provided one-stop services to property owners; accelerated the payment collection progress of the house decoration business to ensure that all receivables are collected; benchmarked and learned from the experience of peers, adapted measures to local conditions, and explored a house decoration model suitable for Huafa Property. Huafa Property has closely followed the living needs of property owners, integrated and connected the resources of featured suppliers in various regions, grasped customer groups and marketing nodes, and leveraged on community activities to promote the "Huawu Youxuan（華物優選）" platform both online and offline to boost sales. Through joint promotion in various regions and increased publicity on the property owner side, the Group has completed resource inventory and coordinated investment promotion in terms of home services and space operations, so as to achieve resource complementation for projects and enhance investment premium capabilities. Meanwhile, the Group has assisted various regions in exploring and integrating potential resources, branding and marketing as well as exploring more self-operated space businesses.

**Benchmarking itself against the leading peer, strengthening refined management, enhancing operation and management capabilities, reducing costs and improving efficiency**

The Group will implement its strategy of "technology +" by benchmarking against industry benchmark enterprises. The Group will speed up the digitalization transformation of properties, promote the construction and optimisation of its key system projects such as the master data system, customer-oriented app and iteration of the charging system, converge various services to improve the customer experience, and thereby realise the accuracy, timeliness and comprehensiveness of the data and information. At the same time, it will integrate the optimised and iterative project management and supply chain construction of Huafa Properties to achieve the interconnection of real estate projects and the property information system and thus enhance synergistic efficiency and service capabilities. The Group will also strengthen single-project operation management, optimise the rules for sharing labour costs, and pay attention to the evaluation of performance indicators to steadily improve its quality and efficiency.

# INVESTOR RELATIONSHIP

The Company has always attached great importance to investor relations. In 2023, the Company implemented the Shareholders' Communication Policy in strict accordance with the relevant requirements and communicated and contacted shareholders and investors of the Company through various channels, including annual and interim results, annual and interim reports, statutory announcements and other communication documents, as well as the holding of results press conferences and shareholders' general meetings, etc., to provide and update regular, real-time, accurate and complete information, and protect the investor's right to know, continuing to enhance the transparency of the Company's information. In addition to timely and adequate disclosure of information, the Company also communicates with investors through its website, telephone, e-mail and online interactive platform to maintain a long-term relationship of trust between investors and the Company. The Company believes that the implementation of the Shareholder Communication Policy is feasible and effective. In the past year, the Company was honored to receive various professional recognition from the capital market：

➢ The Company was awarded with numerous awards including the "16th amongst the 2023 Top 100 Leading Enterprises in terms of Property Service in China ("2023中國物業服務百強企業" 第16名)", "2023 China State-owned Property Service Excellent Enterprise（2023中國國有物業服務優秀企業）", "2023 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China（2023中國物業服務百強滿意度領先企業）", the "2023 Top 5 Listed Property Enterprises in terms of Operational Stability in China（2023中國上市物企經營穩健TOP 5）and the "6th Zhuhai Mayor's Quality Award（第六屆珠海市市長質量獎）".

➢ The Company further optimised its website, building a bridge for the Company to communicate with society.

# BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

## EXECUTIVE DIRECTORS

**Mr. Zhou Wenbin**

Mr. Zhou Wenbin, aged 55, has been appointed as an executive Director, the chief executive officer, a member of the remuneration committee, and an authorised representative of the Company, with effect from 30 July 2021. Mr. Zhou has also been appointed as the chairman of the Board of the Company with effect from 18 November 2022. Mr. Zhou joined the Group in 2013, he is the Chairman of the board of Huafa Property Services Company Limited*（華發物業服務有限公司）(formerly known as Zhuhai Huafa Property Management Services Co., Ltd.*（珠海華發物業管理服務有限公司）), the subsidiary of the Company, since 4 November 2013 and he is the Chairman of the board of Zhuhai Huafa Building Elevator Engineering Co., Ltd.*（珠海華發樓宇電梯工程有限公司）, the subsidiary of the Company, from 26 December 2013 to 27 September 2021. Mr. Zhou is responsible for the overall strategic developments of the operating subsidiaries of the Company which engage in the property management business.

Mr. Zhou is also the chief services officer of Huafa Properties (a company listed on the Shanghai Stock Exchange (Stock code: 600325)), the indirect controlling shareholder of the Company, since 16 March 2020. Mr. Zhou was a deputy general manager of Zhuhai Huafa Property Development Co., Ltd.*（珠海華發房地產開發有限公司）, an indirect subsidiary of Zhuhai Huafa, from 27 February 2019 to 16 March 2020.

Prior to joining the subsidiaries of the Group, Mr. Zhou served as the supervisor of the group general manager office of Zhuhai Huafa from July 2013 to November 2013 and a manager and an assistant to the general manager of Zhuhai Shizimen Central Business District Development Holdings Co., Ltd.*（珠海十字門商務區建設控股有限公司）from August 2010 to July 2013. Mr. Zhou graduated from Hubei University（湖北大學）in 1996 with a degree specialising in English education.

**Mr. Li Guangning**

Mr. Li Guangning, aged 52, has been appointed as an executive Director with effect from 21 July 2014. Mr. Li currently serves as the director and the general manager of Zhuhai Huafa, the single largest shareholder of the Company. In addition, Mr. Li also holds various positions in the subsidiaries of Zhuhai Huafa, including director and chairman of the board of Huafa Properties, a company listed on the Shanghai Stock Exchange (stock code: 600325), with effect from 9 April 2014, non-independent director of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 24 March 2021, director of Advanced Fiber Resources (Zhuhai), Ltd.（珠海光庫科技股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300620), with effect from 31 March 2021, director of HC SemiTek Corporation（華燦光電股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300323), with effect from 6 May 2021, executive director of Zhuhai Huafa Industry New Space Holding Co., Ltd. with effect from 8 November 2022, director of Gokin Solar Co., Ltd. with effect from 26 November 2022. Mr. Li was appointed as the director and chairman of the board of Zhuhai Huafa Investment Holdings Group Co. Ltd.（珠海華發投資控股集團有限公司）(formerly known as Zhuhai Financial Investment Holdings Group Co., Ltd.（珠海金融投資控股集團有限公司））(“Huafa Investment Holdings”) and has resigned as the director and chairman of the company with effect from 31 July 2012 and 28 January 2022 respectively. Mr. Li was appointed as a non-executive director and has resigned as a non-executive director of Beijing Digital Telecom Co., Ltd., a company listed on the Hong Kong Stock Exchange (stock code: 6188), with effect from 30 June 2021 and 10 September 2021 respectively. Mr. Li joined Zhuhai Huafa in 1993 and held various managerial positions in various subsidiaries of Zhuhai Huafa. Mr. Li has resigned as the chairman of the Board with effect from 18 November 2022. Mr. Li was a director of Shenzhen Weiye Decoration Group Co., Ltd.（深圳市維業裝飾集團股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 300621), from 15 September 2020 to 12 November 2022.

* *For identification purpose only*

**Mr. Xie Wei**

Mr. Xie Wei, aged 49, has been appointed as an executive Director and a member of the remuneration committee of the Board (the "Remuneration Committee") with effect from 21 July 2014. Mr. Xie currently serves as a director and executive deputy general manager of Zhuhai Huafa. He also holds various positions in the subsidiaries of Zhuhai Huafa, including the chairman and president of the board of Huafa Investment Holdings as well as the general manager of Zhuhai Huafa Industry New Space Holding Co., Ltd. with effect from 8 November 2022. Mr. Xie is also a director of Huafa Properties, a company listed on the Shanghai Stock Exchange (stock code: 600325). Mr. Xie resigned as a vice chairman of the board of directors of Zhuhai Huajin Capital Co., Ltd.（珠海華金資本股份有限公司）, a company listed on the Shenzhen Stock Exchange (stock code: 000532), with effect from 23 March 2021.

**Mr. Dai Geying**

Mr. Dai, aged 55, has been appointed as an executive Director with effect from 20 April 2023. Mr. Dai joined Huafa Properties in April 2018 and is currently an executive vice president, the chief marketing officer and the chief operating officer of Huafa Properties. Mr. Dai has also been a director of Huafa Industrial (HK) Limited（華發實業（香港）有限公司）since June 2021. Mr. Dai has also held positions in various subsidiaries of Huafa Properties (the "Huafa Properties Group"), including the vice chairman of the board of Shanghai Huafa Chuangsheng Real Estate Co., Ltd.*（上海鏵發創盛置業有限公司）since March 2021 and served as the deputy general manager from April 2015 to December 2018. He also served as executive deputy general manager of Shanghai Huafu Chuangsheng Real Estate Co., Ltd.*（上海鏵福創盛置業有限公司）from December 2018 to March 2021. Mr. Dai's other positions in the Huafa Properties Group include (i) the general manager, chairman of the board and legal representative of Wuhan Huafa Real Estate Co., Ltd.*（武漢華發置業有限公司）; (ii) the deputy chairman of Guangzhou Huafeng Investment Co., Ltd.*（廣州華楓投資有限公司）; (iii) the chairman of Wuhan Huafa Real Estate Marketing Consulting Co., Ltd.*（武漢華發房地產行銷顧問有限公司）; and (iv) the chairman and legal representative of Wuhan Central Business District Investment Development Co., Ltd.*（武漢中央商務區投資開發有限公司）. Prior to joining the Huafa Properties Group, Mr. Dai worked as the deputy general manager of Gemdale Corporation East China District Company*（金地（集團）股份有限公司華東區域公司）from August 2012 to March 2015 and the assistant to the president of Forte (Group) Co., Ltd.（復地（集團）股份有限公司）from April 2007 to July 2012.

Mr. Dai obtained a bachelor's degree in hydraulic structure from Tsinghua University in 1992 and a master's degree in architecture from the National University of Singapore in 2002.

The Board was informed by Mr. Dai that in July 2021, a warning letter was issued by the China Securities Regulatory Commission Guangdong Regulatory Bureau（廣東證監局）(the "Guangdong CSRC") and an oral warning was given by the Shanghai Stock Exchange to Mr. Dai regarding his breach of the Securities Law of the People's Republic of China (《證券法》), the Measures for the Administration of Information Disclosure of Listed Companies (《上市公司 披露管理辦法》), Certain Provisions on Shareholding Reduction by Shareholders, Directors, Supervisors and Executives of Listed Companies (《上市公司股東，董監高減持股份的若干規定》) and the Detailed Implementing Rules of the Shanghai Stock Exchange for Shareholding Reduction by Shareholders, Directors, Supervisors and Senior Executives of Listed Companies (《上海證券交易所上市公司股東及董事、監事、高級管理人員減持股份實施細則》) (the "Relevant Laws") for the sale of 13,500 shares in Huafa Properties, in which Mr. Dai is currently an executive vice president, chief marketing officer and chief operating officer. Under the Relevant Laws, as Mr. Dai is a senior management of Huafa Properties, Mr. Dai was required, inter alia, to disclose to the Shanghai Stock Exchange his shareholding reduction plan 15 trading days before the sale (the "Sale") of over 25% of his total shares held in Huafa Properties and disclose the details of the Sale to Huafa Properties in a timely manner.

* *For identification purpose only*

As confirmed by Mr. Dai, as at the date of this report, no further action has been taken by the Guangdong CSRC, the Shanghai Stock Exchange or any other competent authority in relation to the Sale. After having assessed the incident as stated in the Guangdong CSRC's warning letter and taking into account that (i) the Sale was inadvertent in nature and a one-off isolated event; (ii) the amount of shares and the transaction amount involved in relation to the Sale were insignificant (i.e. RMB87,000); (iii) save for the warning letter and the oral warning, no further actions were taken by the CSRC, the Shanghai Stock Exchange or any other competent authority in relation to the Sale; and (iv) Mr. Dai had undertaken to strengthen his familiarity with the Relevant Laws, the Board considered that Mr. Dai is suitable to act as a Director of the Company.

**Ms. Luo Bin**

Ms. Luo, aged 51, has been appointed as an executive Director with effect from 20 April 2023. Ms. Luo has over 20 years of experience in accounting. She joined Zhuhai Huafa in October 2018 and currently serves as the deputy chief financial officer of Zhuhai Huafa. Ms. Luo is currently the chief financial officer of Huafa Properties and had previously served as the chief financial officer of the Company from May 2020 to May 2021. Ms. Luo has also served as the financial controller of Zhuhai Huafa Multi-Business Development Co., Ltd.（珠海華發綜合發展有限公司）from October 2018 to May 2021, the chief financial officer of Zhuhai Huafa Physical Industry Investment Holding Co., Ltd.*（珠海華發實體產業投資控股有限公司）from April 2020 to May 2021. Prior to joining Zhuhai Huafa, Ms. Luo worked as the (i) financial controller of Guangzhou Pearl River Industrial Development Co., Ltd.（廣州珠江實業開發股份有限公司）, a company listed on the Shanghai Stock Exchange (stock code: 600684), from 2014 to 2018; (ii) chief accountant and manager of Finance Department in Guangzhou Housing Construction Development Co., Ltd.*（廣州市住宅建設發展有限公司）from 2008 to 2014; and (iii) audit supervisor of Property Supervision Department and financial supervisor of Financial Supervision Department in Guangzhou Construction Asset Management Co., Ltd.*（廣州市建設資產經營有限公司）from 2003 to 2008. She has been admitted as a registered certified public accountant of the Chinese Institute of Certified Public Accountants（中國註冊會計師協會）since 1998.

Ms. Luo obtained a bachelor's degree in accounting and auditing from the Sun Yat-Sen University in 1994 and a master's of accounting degree from the Sun Yat-Sen University in 2009.

**Mr. Gu Yuanping**

Mr. Gu Yuanping, aged 38, has been appointed as an executive Director and a vice president of the Company with effect from 16 March 2022. Mr. Gu was also appointed as a joint company secretary of the Company with effect from 20 April 2023. Mr. Gu joined Zhuhai Huafa since October 2015 and is currently a deputy general manager of Hong Kong Huafa Investment Holdings Limited（香港華發投資控股有限公司）. Mr. Gu is also the deputy director of the legal affairs department and the director of the project management department of Huafa Industrial (HK) Limited （華發實業（香港）有限公司）since August 2018 and November 2021, respectively. Since July 2019, Mr. Gu has also been the general manager of the legal compliance department of the Company, and was a joint company secretary of Huajin International Bay Area High-end Services Holdings Company Limited*（華金國際大灣區高端服務控股有限公司）, a wholly-owned subsidiary of the Company, from October 2021 to December 2022.

Mr. Gu graduated from Sun Yat-Sen University（中山大學）with a bachelor's degree in law in June 2008 and subsequently obtained a master's degree in law from The Chinese University of Hong Kong（香港中文大學）in December 2009. Mr. Gu also obtained a master of science in corporate governance and compliance from Hong Kong Baptist University（香港浸會大學）in November 2020. In addition, Mr. Gu has obtained a legal professional qualification certificate of the People's Republic of China（中華人民共和國法律職業資格證書）issued by the Ministry of Justice of the People's Republic in China in March 2012. Mr. Gu has also been an associate of The Hong Kong Chartered Governance Institute since November 2020 and was elected as a fellow of The Hong Kong Chartered Governance Institute since March 2021.

* *For identification purpose only*

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Dr. Chen Jieping**

Dr. Chen Jieping, aged 71, has been appointed as an independent non-executive Director, the chairman of the Audit Committee, a member of each of the Remuneration Committee and the Nomination Committee with effect from 21 July 2014. Dr. Chen has over 16 years of experience in accounting. Dr. Chen has served as an independent non-executive director of Saurer Intelligent Technology Co. Ltd. (stock code: 600545) since September 2017, a company listed on the Shanghai Stock Exchange. Dr. Chen has been appointed as an independent non-executive director of Jinmao Property Services Co., Limited (stock code: 00816), a company listed on the Stock Exchange, with effect from 10 March 2022. Dr. Chen served as an independent director of Milkyway Chemical Supply Chain Service Co., Ltd (stock code: 603713), a company listed on the Shanghai Stock Exchange, from September 2021 to August 2023. Dr. Chen served as an independent non-executive director of Jinmao (China) Hotel Investments and Management Limited (stock code: 06139) (delisted in October 2020), a company listed on the Stock Exchange, from March 2014 to October 2020. Dr. Chen served as an independent non-executive director of Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as Shanghai La Chapelle Fashion Co., Ltd.) (stock code: 06116), a company listed on the Stock Exchange, from January 2016 to October 2019. Dr. Chen also served as an independent non-executive director of Shenzhen Worldunion Properties Consultancy Incorporated (stock code: 002285), a company listed on the Shenzhen Stock Exchange, from September 2013 to September 2019. Dr. Chen also served as an independent non-executive director of Industrial Securities Co., Ltd. (stock code: 601377), a company listed on the Shanghai Stock Exchange, from 2010 to March 2017. He was a professor of the China Europe International Business School from 2008 to 2018 and is currently an emeritus professor. He was also the head of the department of accountancy of the City University of Hong Kong from 2005 to 2008. Dr. Chen received a bachelor's degree in science and a master's degree in hospitality management, respectively, from the University of Houston in August 1990. He obtained a master's degree in business administration from the University of Houston in May 1992 and a doctoral degree in business administration from the University of Houston in August 1995.

**Mr. Pu Yonghao**

Mr. Pu Yonghao, aged 66, has been appointed as an independent non-executive Director, the chairman of the Remuneration Committee, a member of each of the Audit Committee and the Nomination Committee with effect from 1 June 2020. Mr. Pu has over 20 years of experience in holding senior positions in investment banks. Mr. Pu has been appointed as an independent non-executive director of Interra Acquisition Corporation, a company listed on the Main Board of the Stock Exchange (stock code: 07801) with effect from 5 September 2022. Mr. Pu has been appointed as an independent non-executive director of Guotai Junan Securities Co., Ltd., a company listed on the Main Board of the Stock Exchange (stock code: 02611) with effect from 30 November 2023. From 2015 to 2018, Mr. Pu was the founder and chief investment officer of Fountainhead Partners Company Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 9 (asset management) regulated activities for the purpose of the SFO. From 2004 to 2015, Mr. Pu held various positions at UBS AG, including the chief investment officer, the head of the Wealth Management Research APAC and his last position held at the company was managing director and Regional Chief Investment Officer (North APAC). Prior to joining UBS AG, Mr. Pu worked at Asian Development Bank as senior consultant from 2002 to 2003, Nomura International (Hong Kong) Limited as senior economist from 2000 to 2002 and Bank of China International (UK) Limited as senior economist from 1997 to 2000. Mr. Pu was the vice chairman of Chinese Financial Association of Hong Kong and the honorary institute fellow of The Chinese University of Hong Kong between 2011 and 2021, The Asia-Pacific Institute of Business.

Mr. Pu obtained a bachelor degree in accounting from Xiamen University in 1982 and a master degree in economics from the same university in 1985. He also obtained a master of science degree in demography from The London School of Economics and Political Science in 1989.

**Mr. Guo Shihai**

Mr. Guo Shihai, aged 45, has been appointed as an independent non-executive Director, the chairman of the Nomination Committee, a member of each of the Audit Committee and the Remuneration Committee with effect from 21 July 2020. Mr. Guo is the managing director of CEB International Asset Management Corporation Limited with effect from February 2023. Mr. Guo is the chief executive of CMBC Investment (HK) Limited, a direct wholly-owned subsidiary of CMBC Capital Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 1141) during January 2020 to April 2021, where he also acts as a permanent member of the investment and financing approval committee of CMBC Capital Holdings Limited. From 2015 to 2020, Mr. Guo was the managing director, head of principal investment management of BOCOM International Holdings Company Limited, where he was responsible for private equity investments, structured financing and bond investment business etc.. From 2012 to 2015, Mr. Guo was the executive director and vice president, head of product execution of cross-border and structured finance business of ICBC International Holdings Limited. From 2007 to 2012, Mr. Guo was the senior relationship manager of corporate finance, corporate banking and financial institutions of Bank of China (Hong Kong) Limited. From 2001 to 2007, Mr. Guo was an assistant manager and subsequently a manager of Bank of China Limited responsible for international settlement business. Mr. Guo was awarded Master of Science in Global Finance jointly by New York University's Stern School of Business and School of Business and Management of The Hong Kong University of Science and Technology.

## SENIOR MANAGEMENT

**Mr. Zeng Shi**

***Executive vice president***

Mr. Zeng Shi, aged 46, has been appointed as an executive vice president of the Company on 30 July 2021. Mr. Zeng is responsible for the daily operation and management of the subsidiary of the Company, Zhuhai Huafa Property.

Mr. Zeng has been a general manager of Zhuhai Huafa Property since 3 August 2016 and he has 20 years of experience in the property management business. He has been the President of the Zhuhai Property Management Association（珠海市物業管理行業協會會長）and a Member of the Standardization Committee of China Property Management Institute（中國物業管理協會標準化委員會委員）since 2016. He has also been the vice chairman of the Guangdong Property Management Association（廣東省物業管理行業協會副會長）and an property management expert in the Zhuhai Housing and Urban-Rural Development Bureau（珠海市住房和城鄉建設局）since 2018.

Mr. Zeng graduated from Jinan University（暨南大學）with a specialist degree in property management in 2001 and Macau University of Science and Technology with a master's degree in business administration in June 2020. He was registered as a Registered Property Manager（註冊物業管理師）in February 2014 and was admitted as a Chartered Member of the Chartered Institute of Housing (CIH) in April 2019.

**Ms. Wang Wenjun**

***Chief financial officer***

Ms. Wang Wenjun, aged 42, has been appointed as the chief financial officer of the Company on 18 May 2021. Ms. Wang obtained a master of management degree in business administration from Wuhan University of Science and Technology in 2007 and a bachelor of management degree in accounting from the same university in 2004. Ms. Wang has engaged in the financial work for over 10 years, with extensive financial management experience.

Ms. Wang joined the Group since September 2019 as the general manager of the finance department of Huajin International Bay Area High-end Services Holdings Company Limited and the chief financial officer of Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司） and Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）.

Ms. Wang joined Zhuhai Huafa in September 2009. Ms. Wang was formerly the chief financial officer of Zhuhai Huafa Building Materials Company（珠海華發商貿控股有限公司）and Zhuhai Huafa Automobile Sales Co., Ltd.*（珠海華發汽車銷售有限公司）, the chief financial officer of Zhuhai Huafa Modern Services Investment Holdings Limited*（珠海華發現代服務投資控股有限公司）. Prior to joining Zhuhai Huafa, Ms. Wang worked as the accounting supervisor of consolidated financial statements for Actions Semiconductor Co., Ltd.（炬力集成電路設計有限公司）from 2008 to 2009 and as project audit manager for Reanda Certified Public Accountants（利安達信隆會計師事務所）from 2007 to 2008.

Ms. Wang was admitted as a registered certified public accountant by the Chinese Institute of Certified Public Accountants（中國註冊會計師協會）in 2011, a certified tax agent by Ministry of Human Resources and Social Security of the People's Republic of China（中華人民共和國人力資源和社會保障廳）and State Administration of Taxation of the People's Republic of China（國家稅務總局）in 2010 and a certified internal auditor by China Institute of Internal Audit（中國內部審計師協會）and the Institute of International Auditors in 2009. Ms. Wang was accredited as senior accountant by Human Resources and Social Security Department of Guangdong Province（廣東省人力資源和社會保障廳）in 2020. Ms. Wang was awarded the Certificate of Zhuhai Industrial Young Talent in 2020.

*  *For identification purpose only*

# REPORT OF THE DIRECTORS

The Directors are pleased to present their annual report, along with the audited consolidated financial statements of the Group for the year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in the provision of property management services and related value-added services in Mainland China.

## BUSINESS REVIEW

A review of the Group's business during the year, which includes a discussion of the principal risks and uncertainties facing by the Group, an analysis of the Group's performance using financial key performance indicators, particulars of important events affecting the Group during the year and up to the date of this report, and an indication of likely future developments in the Group's business, can be found in the Management Discussion and Analysis set out on pages 12 to 20 of this report. In addition, discussions on the Group's environmental policies, relationships with its stakeholders, and compliance with relevant laws and regulations which have a significant impact on the Group are also included in the Management Discussion and Analysis, and Corporate Governance Report of this report, as well as the Environmental, Social and Governance Report published on 28 March 2024 by the Company. The review and discussions form part of this Report of the Directors.

## RESULTS AND DIVIDEND

The results of the Group for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss on page 60 of this report and Consolidated Statement of Comprehensive Income on page 61 of this report. The Board does not recommend payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

## CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 20 May 2024 to Friday, 24 May 2024, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Friday, 24 May 2024 ("AGM"), all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Friday, 17 May 2024.

## DIVIDEND POLICY

The Company has adopted a Dividend Policy on payment of dividends. The Company does 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.

## FIXED ASSETS

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

## SHARE CAPITAL

Details of movements of the share capital of the Company during the year are set out in note 26 to the financial statements.

## DISTRIBUTABLE RESERVES

The Company's total distributable reserves as at 31 December 2023 amounted to RMB220.9 million.

## FIVE YEAR SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2023 and the Group's assets and liabilities as at 31 December 2019, 2020, 2021, 2022 and 2023 is set out on page 6 of this report.

## PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's bye-laws (the "Bye-Laws"), or under the laws of Bermuda, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders of the Company.

## DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

**Executive directors**

Mr. Zhou Wenbin *(Chairman and Chief Executive Officer)*
Mr. Li Guangning
Mr. Xie Wei
Mr. Xie Hui (resigned on 20 April 2023)
Mr. Dai Geying (appointed on 20 April 2023)
Ms. Luo Bin (appointed on 20 April 2023)
Mr. Gu Yuanping

**Non-executive director**

Mr. Zou Chaoyong (resigned on 20 April 2023)

**Independent non-executive directors**

Dr. Chen Jieping
Mr. Pu Yonghao
Mr. Guo Shihai

In accordance with bye-law 87 of the Bye-Laws, Mr. Zhou Wenbin, Mr. Gu Yuanping and Mr. Pu Yonghao will retire at the forthcoming AGM by rotation. All of the above Directors, being eligible, will offer themselves for re-election at the forthcoming AGM.

All executive Directors are appointed for a fixed term of three years under their respective service contracts entered into with the Company, which is subject to termination by either party by giving not less than three-months notice. All independent non-executive Directors are appointed for a fixed term of three years under their respective appointment letters entered into with the Company, which is subject to termination by either party by giving not less than two-months notice.

None of the Directors proposed for re-election at the forthcoming AGM had a service contract with the Group which is not determinable by the Company within one year without payment of compensation other than statutory compensation.

The remuneration of the executive Directors and the directors' fees of the independent non-executive Directors are mutually agreed between the Board and each of the executive Directors and independent non-executive Directors with reference to the prevailing market conditions and determined by the Board based on the anticipated time, efforts and expertise to be exercised by each of them on the Company's affairs. Such emoluments are subject to review by the Board from time to time, pursuant to the power conferred on it in the AGM of the Company.

## CHANGES OF INFORMATION OF DIRECTORS

Set out below is the information relating to the Directors required to be disclosed pursuant to Rule 13.51B(1) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"):

– Upon the recommendation of the Remuneration Committee and the written resolutions of the Board dated 1 June 2023, all executive Directors waived their directors' fee for the benefit of the development of the Company with effect from 1 June 2023.

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

## CONFIRMATION OF INDEPENDENCE FROM INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received from each of the independent non-executive Directors an annual confirmation of independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all of the independent non-executive Directors to be independent.

## BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out on pages 22 to 26 of this report.

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

As at 31 December 2023, the interests and short positions of each Director and 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")) as recorded in the register required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix C3 to the Listing Rules was as follows:

**Long position in the shares and underlying shares of the associated corporation of the Company**

| Name of Director | Name of associated corporation | Nature of interests | No. of ordinary shares of associated corporation held | Approximate percentage of total number of issued ordinary shares of associated corporation (note) |
|---|---|---|---|---|
| Dai Geying | Huafa Properties | Beneficial owner | 13,500 | 0.0006% |

Note: Calculated based on Huafa Properties total number of issued ordinary shares of 2,117,161,116 as at 31 December 2023.

Save as disclosed above, as at 31 December 2023, none of the Directors nor chief executives of the Company had any interest or short position in any of the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of the SFO or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

## INTEREST OF SUBSTANTIAL SHAREHOLDERS

The register required to be kept by the Company under section 336 of the SFO shows that as at 31 December 2023, the Company had been notified of the following Shareholders' interests and short positions in the shares of the Company, being interests of 5% or more, in addition to those disclosed above in respect of the Directors and chief executives of the Company (if any):

| Name of Substantial Shareholders | Capacity/Nature of interest | Number of ordinary shares held | Approximate percentage of interested shares to the total number of issued ordinary shares of the Company (%) |
|---|---|---|---|
| Zhuhai Huafa | Interest in controlled corporations (note 1) | 4,093,064,960 | 40.68 |
| Huafa Properties | Interest in controlled corporations (note 1) | 4,093,064,960 | 40.68 |

Note：

1. Huafa Properties indirectly wholly owns Guang Jie Investment Limited ("Guang Jie") which directly holds 382,314,960 shares of the Company. Huajin Investment Company Limited ("Huajin Investment"), a direct wholly-owned subsidiary of Guang Jie, also directly holds 3,710,750,000 shares of the Company. As such, Huafa Properties is deemed to be interested in 4,093,064,960 shares of the Company by virtue of its shareholding in Guang Jie and Huajin Investment. Since Huafa Properties is a non-wholly-owned direct subsidiary of Zhuhai Huafa, Zhuhai Huafa is deemed to be interested in 4,093,064,960 shares of the Company.

Save as disclosed above, as at 31 December 2023, no person had any interests or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or otherwise notified to the Company and the Stock Exchange.

## SHARE SCHEME

There is no share scheme adopted by the Company during the year ended 31 December 2023 and up to the date of this report.

## DIRECTORS' RIGHTS TO ACQUIRE SECURITIES

At no time during the year was the Company, or any of its holding company, or fellow subsidiaries or subsidiaries, a party to any arrangement enabling the Directors or their respective spouses or children (natural or adopted) under the age of 18 years, to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

## EQUITY-LINKED AGREEMENTS

The Company has not entered into any equity-linked agreements during the year ended 31 December 2023.

## PERMITTED INDEMNITY PROVISION

Pursuant to the Bye-Laws, every Director shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she, his/her heirs, executors or administrators shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of his/her duty, or supposed duty, in his/her respective offices or trusts.

There is appropriate Directors' and officers' liability insurance coverage for the Directors and officers of the Group.

## COMPLIANCE

For the year ended 31 December 2023 and up to the date of this report, to the knowledge of the Directors, the Company has complied with applicable laws and regulations in all material respects.

## MAJOR CUSTOMERS AND SUPPLIERS/SUBCONTRACTORS

The percentage of sales and cost of services provided for the year attributable to the Group's major customers and suppliers/subcontractors were as follows:

| | |
|---|---|
| **Sales** | |
| – the largest customer | 38% |
| – five largest customers | 42% |
| **Cost of services provided** | |
| – the largest supplier/subcontractor | 3% |
| – five largest suppliers/subcontractors | 11% |

Among the five largest customers, the sales value to Zhuhai Huafa's subsidiaries accounted for 38% of the total sales value for the year.

Mr. Li Guangning and Mr. Xie Wei acted as Zhuhai Huafa's directors during the year.

## DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the date of this report, and pursuant to the Listing Rules, none of the Directors is considered to have interests in any business which causes, or may cause, significant competition with the business of the Group.

## CONNECTED TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

In addition to the related party transactions disclosed in note 30 to the audited consolidated financial statements, details of connected transaction and continuing connected transactions of the Group as defined under the Listing Rules, details of which are required to be disclosed in accordance with the requirements of Appendix D2 and Chapter 14A of the Listing Rules, are summarised below:

### Continuing Connected Transactions

***Framework Agreements***

On 20 December 2019, Zhuhai Huafa Property, a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company entered into the property management services cooperation framework agreement and the procurement cooperation framework agreement (the "Framework Agreements") with Zhuhai Huafa, with a term from 17 January 2020 to 31 December 2022, pursuant to which upon the completion of the acquisition of Huafa Property Management Services (Hong Kong) Limited by the Company, Zhuhai Huafa Property will provide property management services to and procure products and services from Zhuhai Huafa and its subsidiaries and associates (excluding Zhuhai Huafa Property and its three subsidiaries, Zhuhai Huafa Municipal, Zhuhai Huafa Building Elevator Engineering and Zhuhai Huafa Jones Lang LaSalle Property Management Services Company Limited*（珠海華發仲量聯行物業服務有限公司）("Zhuhai Huafa Group") in relation to the operation of Huafa Property Management Services (Hong Kong) Limited and its subsidiaries.

Pursuant to the property management services cooperation framework agreement, Zhuhai Huafa Property shall provide (i) property management services to property sales centres, sample flats, etc. held by Zhuhai Huafa Group ("Category I Property Management Services"), and (ii) property management services including but not limited to security, cleaning, greening and gardening, repair and maintenance services as well as other value added services to the properties developed by Zhuhai Huafa Group ("Category II Property Management Services"). As at the date of the announcement dated 26 December 2014, Zhuhai Huafa was an indirect controlling shareholder and connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of each of (i) the property management services cooperation framework agreement and (ii) the procurement cooperation framework agreement constitutes a continuing connected transaction of the Company.

The Company has been closely monitoring the progress of its continuing connected transactions with Zhuhai Huafa under the procurement cooperation framework agreement. It was expected that additional products and services will have to be procured from Zhuhai Huafa Group and therefore the transaction amounts of the continuing connected transactions under the procurement cooperation framework agreement for the year ending 31 December 2021 would exceed RMB5.65 million, being the existing annual cap amount for the year ending 31 December 2021 pursuant to the procurement cooperation framework agreement (the "Original Annual Cap"). In addition, as the scale of business expands, the Board considers that the Original Annual Cap under the procurement cooperation framework agreement shall be revised to satisfy the business needs of Zhuhai Huafa Property and its subsidiaries for the year ending 31 December 2021.

On 22 June 2021, Zhuhai Huafa Property and Zhuhai Huafa entered into the supplemental agreement to supplement the procurement cooperation framework agreement (the "Supplemental Agreement") to (a) revise the existing scope of services to cover (i) leasing of venues for office use and (ii) information maintenance services such as maintenance of management platform, service platform and other system services; and (b) increase the Original Annual Cap to RMB17.04 million, being the new annual cap amount for the year ending 31 December 2021 as revised pursuant to the Supplemental Agreement.

* *For identification purpose only*

On 28 December 2021, as the Company expected that based on the estimated procurement needs of the Group, the Group (besides Zhuhai Huafa Property and its subsidiaries), would also require to procure products and services to meet their general daily administration and business operation needs, the Company and Zhuhai Huafa entered into the 2021 procurement cooperation framework agreement in relation to the procurement of the products and services from Zhuhai Huafa Group by the Group for a term of three years from 1 January 2022 and ending on 31 December 2024. Hence, the procurement cooperation framework agreement as supplemented by the Supplemental Agreement was terminated on 1 January 2022.

As the property management services cooperation framework agreement dated 20 December 2019 ("Existing Property Management Services Cooperation Framework Agreement") has been expired on 31 December 2022, and the Group continues to carry on the transactions and expand the scope of value-added services contemplated thereunder, on 31 October 2022, Huafa Property Management entered into the 2022 Property Management Services Cooperation Framework Agreement with Zhuhai Huafa in relation to the provision of the property management services to Zhuhai Huafa Group for a term of three years from 1 January 2023 and ending on 31 December 2025.

As at the date of the announcement on 31 October 2022, as Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the entering into of the 2022 Property Management Services Cooperation Framework Agreement constitutes a continuing connected transaction of the Company. Since one or more of the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the 2022 Property Management Services Cooperation Framework Agreement is more than 5%, the entering into of the 2022 Property Management Services Cooperation Framework Agreement is subject to the reporting, annual review, announcement and independent shareholders' approval, and it has been approved by independent shareholders of the Company on 29 December 2022 under Chapter 14A of the Listing Rules.

Also, according to the announcement dated 28 December 2021, Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa was a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 procurement cooperation framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the 2021 procurement cooperation framework agreement are more than 0.1% but less than 5%, the transaction contemplated under the 2021 procurement cooperation framework agreement is subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

For details including the pricing policies of the property management services cooperation framework agreement, 2022 Property Management Services Cooperation Framework Agreement, procurement cooperation framework agreement and 2021 procurement cooperation framework agreement, are set out in the announcements of the Company dated 20 December 2019, 22 June 2021, 28 December 2021 and 31 October 2022, respectively and the circulars of the Company dated 27 December 2019 and 7 December 2022.

The annual caps in respect of the service fees payable by Zhuhai Huafa Group of the Management Services pursuant to the property management services cooperation framework agreement for the year under review was RMB971,280,000. The actual amounts for the year ended 31 December 2023 did not exceed the relevant annual caps.

***Office Sharing Agreement***

On 10 July 2018, the Company and Huafa HK entered into an office sharing agreement pursuant to which Huafa HK has agreed to grant the Company the non-exclusive right to use an office space for the term up to 31 December 2020 in consideration of the sharing fees payable by the Company ("Office Sharing Agreement").

The office sharing agreement was subsequently renewed on 31 December 2020. The renewed term commencing from 1 January 2021 and ending on 30 November 2023 (both days inclusive).

As at the date of the announcements on 10 July 2018 and 31 December 2020, Huafa HK was an indirect controlling shareholder of the Company interested in approximately 36.88% of the total issued share capital of the Company. Therefore, Huafa HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, the renewed office sharing agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules and since all the applicable percentage ratios (other than the profit ratio) in respect of the proposed annual caps under the renewed office sharing agreement are more than 0.1% but less than 5%, the transactions contemplated under the renewed office sharing agreement are exempt from the circular (including independent financial advice) and independent shareholders' approval requirements, and are only subject to the annual review, reporting and announcement requirements. Details are set out in the announcements of the Company dated 10 July 2018 and 31 December 2020.

On 30 November 2023, the Company and Huafa HK renewed the Office Sharing Agreement pursuant to which Huafa HK has agreed to grant the Company the non-exclusive right to use an office space for a term of 3 years commencing from 1 December 2023 and ending on 30 November 2026 (both dates inclusive) (the "2023 Office Sharing Agreement") in consideration of the sharing fees payable by the Company. The annual caps for transactions to be made under the Office Sharing Agreement in 2023 are as follow:

| | Annual caps (RMB) | | | |
|---|---|---|---|---|
| | **For the period from 1 December 2023 to 31 December 2023** | **For the year ended 31 December 2024** | **For the year ended 31 December 2025** | **For the period from 1 January 2026 to 30 November 2026** |
| Sharing fee | 100,000 | 1,000,000 | 1,000,000 | 900,000 |

As at 30 November 2023, Huafa HK was a wholly-owned subsidiary of Zhuhai Huafa, and Zhuhai Huafa was the ultimate controlling shareholder of the Company, in which Zhuhai Huafa indirectly held approximately 40.68% of the entire issued share capital of the Company. Accordingly, Huafa HK is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. The entering into of the 2023 Office Sharing Agreement therefore constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As all applicable percentage rates (excluding profit ratios) under the proposed annual cap under the 2023 Office Sharing Agreement are less than 5% and the total consideration is less than HK$3 million, the entering into of the 2023 Office Sharing Agreement is fully waived under Rule 14A.76(c) of Chapter 14A of the Listing Rules and is not subject to reporting and announcement requirements. In addition, as the Company received financial assistance from Huafa HK pursuant to a deed of indemnity, which was entered into on general commercial terms and was not encumbered by the assets of the Group, the deed of indemnity was fully waived under Rule 14A.90 of the Listing Rules.

The annual cap in respect of the Office Sharing Agreement for the period from 1 January 2023 to 30 November 2023 and the 2023 Office Sharing Agreement for the period from 1 December 2023 to 31 December 2023 were HK$4,600,000 and RMB100,000 respectively and the actual sharing fees paid by the Company did not exceed the respective annual caps.

***Hotel Consultancy Services Framework Agreement***

On 28 December 2021, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin Xinqu Huajin International Hotel Management Company Limited*（珠海市橫琴新區華金國際酒店管理有限公司）(the "Management Company") has entered into the 2021 hotel consultancy services framework agreement with Zhuhai Huafa in relation to the renewal of continuing connected transactions regarding the provision of hotel consultancy services to Zhuhai Huafa for a term of three years from 1 January 2022 and ending on 31 December 2024. As at 28 December 2021, Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 hotel consultancy services framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of the 2021 hotel consultancy services framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2021 hotel consultancy services framework agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details including the pricing policies, please refer to the announcement of the Company dated 28 December 2021.

The annual caps in respect of the service fees for hotel consultancy services provided to the target hotels pursuant to the 2021 hotel consultancy services framework agreement for the year under review was RMB10,000,000 and the actual amount received by Management Company for the year ended 31 December 2023 did not exceed the relevant annual cap.

***Convention & Exhibition Business Cooperation Framework Agreement***

On 28 December 2021, an indirect wholly-owned subsidiary of the Company namely Zhuhai Hengqin New Area Huajin International Convention Services Company Limited*（珠海市橫琴新區華金國際會展服務有限公司）(the "Consultant Company") has entered into the 2021 convention & exhibition business cooperation framework agreement with Zhuhai Huafa in relation to the renewal of continuing connected transactions regarding the provision of convention & exhibition services to Zhuhai Huafa for a term of three years from 1 January 2022 and ending on 31 December 2024. As at 28 December 2021, Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, Zhuhai Huafa is a connected person of the Company pursuant to Chapter 14A of the Listing Rules. Accordingly, 2021 convention & exhibition business cooperation framework agreement constitutes continuing connected transaction of the Company under Chapter 14A of the Listing Rules. Since all applicable percentage ratios in respect of 2021 convention & exhibition business cooperation framework agreement are more than 0.1% but less than 5%, the transactions contemplated under the 2021 convention & exhibition business cooperation framework agreement are subject to the reporting, announcement and annual review requirements but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details including the pricing policies, please refer to the announcement of the Company dated 28 December 2021.

The annual cap in respect of the cooperation fees pursuant to the 2021 convention & exhibition business cooperation framework agreement for the year under review was RMB43,900,000 and the actual amount received by Consultancy Company for the year ended 31 December 2023 did not exceed the annual cap.

* *For identification purpose only*

***Financial Service Framework Agreement***

On 28 February 2023 (after trading hours), Zhuhai Huafa Property and Zhuhai Huafa Group Finance Co., Ltd.* (珠海華發集團財務有限公司), a limited liability company established in the PRC and a subsidiary of Zhuhai Huafa ("Huafa Finance Company") have entered into the Financial Service Framework Agreement, pursuant to which Huafa Finance Company agreed to provide deposit services to the Huafa Property Group. Pursuant to the terms and conditions of the Financial Service Framework Agreement, Huafa Finance Company agrees to provide certain deposit services to the Huafa Property Group according to the requirements of the Huafa Property Group and formulation of optimal deposit portfolio for the Huafa Property Group, including the current deposit, time deposit, call deposit and agreement deposit. For details including the pricing policies, please refer to the announcement of the Company dated 28 February 2023.

As at 28 February 2023, Huafa Properties, a direct non-wholly owned subsidiary of Zhuhai Huafa, indirectly holds 3,901,907,480 shares of the Company in aggregate, representing 38.78% of the entire issued shares of the Company. Accordingly, Zhuhai Huafa is an indirect controlling shareholder of the Company and a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As Huafa Finance Company is a subsidiary of Zhuhai Huafa, Huafa Finance Company is a connected person of the Company. As such, the Financial Service Framework Agreement and the transaction contemplated thereunder constitutes continuing connected transaction of the Company.

The annual cap in respect of the of the deposits placed by the Huafa Property Group with Huafa Finance Company pursuant to the financial service framework Agreement for the year under review was RMB40,600,000 and the actual amount of the deposits for the year ended 31 December 2023 did not exceed the annual cap.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the continuing connected transactions of the Group in accordance with Chapter 14A of the Listing Rules. The aforesaid continuing connected transactions as contemplated under the Framework Agreements, office sharing agreement, hotel consultancy services framework agreement and convention & exhibition business cooperation framework agreement and financial service framework Agreement have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that the aforesaid continuing connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) on normal commercial terms or better; (c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company's auditor, Ernst & Young, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the 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.

Details of the related party transactions of the Group for the year ended 31 December 2023 are set out in note 30 to the audited consolidated financial statements. With regard to the related party transactions which constitute continuing connected transactions, the Company has complied with the annual review and disclosure requirements in accordance with Chapter 14A of the Listing Rules.

* *For identification purposes only*

## CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to the Group's business to which the Company, or any of its holding company, fellow subsidiaries, subsidiaries or controlling shareholder or any of its subsidiaries was a party, and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year under review.

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

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company's listed securities during the year under review.

## 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 report, there is a sufficient public float of more than 25% of the Company's issued shares as required under the Listing Rules.

## CORPORATE GOVERNANCE

During the year under review, the Company, in the opinion of the Directors, save for the deviation from the code provision C.2.1 of the Corporate Governance Code (the "CG Code") as set out in Appendix C1 to the Listing Rules disclosed in the subsection headed "Chairman and chief executive officer" in the Corporate Governance Report of this report, has complied with the code provisions set out in the CG Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code set out in Appendix C3 to the Listing Rules as its own code of conduct regarding Directors' securities transactions. Having made specific enquiries, all Directors have confirmed that they have complied with the Model Code during the year under review and up to the date of this report.

## MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year under review.

## REMUNERATION POLICY

The remuneration policy of the Group for its employees and Directors is based on their performance, duties and responsibilities, comparable market rates and the performance of the Group. Remuneration packages typically comprise salary, housing allowances, contribution to pension schemes and bonuses relating to the profit of the relevant company. The Remuneration Committee regularly reviews and makes recommendations to the Board on the specific remuneration and compensation of the Directors and senior management of the Group.

## DONATIONS

During the year ended 31 December 2023, the Group made charitable donations amounting to RMB6,000 (2022: RMB8,628).

## CONSULTING PROFESSIONAL TAX ADVISERS

The Company is not aware of any relief from taxation available to the shareholders by reason of their holding of the Company's securities.

The shareholders are recommended to consult professional advisers if they are in any doubt about the taxation implications of subscribing for holding or disposal of, dealing in, or the exercise of any rights in relation to the Company's securities.

## AUDIT COMMITTEE

The Board established an Audit Committee consisting of three independent non-executive Directors, namely, Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai. Dr. Chen Jieping is the chairman of the Audit Committee. The primary duties of the Audit Committee are to review and supervise the financial reporting process and effectiveness of the risk management and internal control systems of the Group. The Audit Committee has reviewed the Group's audited consolidated financial statements for the year ended 31 December 2023.

## AUDITOR

The consolidated financial statements for the year ended 31 December 2023 have been audited by Ernst & Young, who will retire as the auditor of the Company at the forthcoming AGM of the Company and being eligible, offer itself for re-appointment.

On behalf of the Board

**Zhou Wenbin**
*Chairman and Chief Executive Officer*

Hong Kong, 28 February 2024

# CORPORATE GOVERNANCE REPORT

The board of directors of the Company (the "Board") is pleased to present this Corporate Governance Report in the annual report of the Company and its subsidiaries (the "Group") for the year ended 31 December 2023.

## CORPORATE GOVERNANCE CULTURE

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 services to the satisfaction of customers; and

– that high standards of ethics are maintained.

## CORPORATE GOVERNANCE PRACTICES

The Group has committed to maintaining high corporate governance standards.

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

The Company has in place a corporate governance framework and has established a set of policies and procedures based on the Corporate Governance Code (the "CG Code") contained in Appendix C1 of 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.

The Company has applied the code provisions as set out in the CG Code.

In the opinion of the Directors, throughout the year under review, save for the deviation from the code provision C.2.1 of the CG Code disclosed in the subsection headed "Chairman and chief executive officer" below, the Company has complied with all the code provisions as set out in the CG Code.

## DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code as set out in Appendix C3 to the Listing Rules.

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

The Company has also established written guidelines no less exacting than the Model Code (the "Employees Written Guidelines") for securities transactions by senior management or other staff who are likely to be in possession of unpublished price-sensitive information of the Company. No incident of non-compliance of the Employees Written Guidelines by the employees was noted by the Company.

## BOARD OF DIRECTORS

The Board comprises nine members, consisting of six executive Directors and three independent non-executive Directors. The executive Directors and independent non-executive Directors during the year ended 31 December 2023 were as follows:

**Executive Directors:**

Mr. Zhou Wenbin *(Chairman of the Board, Chief Executive Officer and member of Remuneration Committee)*
Mr. Li Guangning
Mr. Xie Wei *(Member of the Remuneration Committee)*
Mr. Xie Hui (resigned on 20 April 2023)
Mr. Dai Geying (appointed on 20 April 2023)
Ms. Luo Bin (appointed on 20 April 2023)
Mr. Gu Yuanping

**Non-executive director:**

Mr. Zou Chaoyong (resigned on 20 April 2023)

**Independent Non-executive Directors:**

Dr. Chen Jieping *(Chairman of the Audit Committee and members of the Nomination Committee and Remuneration Committee)*
Mr. Pu Yonghao *(Chairman of the Remuneration Committee and members of the Audit Committee and Nomination Committee)*
Mr. Guo Shihai *(Chairman of the Nomination Committee and members of the Audit Committee and Remuneration Committee)*

The biographical information of the Directors are set out in the section headed "Biographical details of Directors and Senior Management" on pages 22 to 27 of this report.

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

**Chairman and chief executive officer**

The positions of the chairman of the Board (the "Chairman") and the Chief Executive Officer are held by Mr. Zhou Wenbin. While this constitutes a deviation from code provision C.2.1 of the CG Code, the Board believes that having the same individual in both roles as the Chairman and the Chief Executive Officer will continue to ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the Group effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group's circumstances.

**Independent non-executive Directors**

During the year ended 31 December 2023, 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 at least 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**

During the year ended 31 December 2023, the Company has established a Board Independence Evaluation Mechanism 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 the 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 year ended 31 December 2023, all Directors completed the independence evaluation in the form of a questionnaire individually. The Board Independence Evaluation Report was presented to the Board and the evaluation results were satisfactory.

During the year ended 31 December 2023, the Board reviewed the implementation and effectiveness of the Board Independence Evaluation Mechanism and the results were satisfactory.

**Non-executive Directors and Directors' re-election**

The non-executive Directors (including independent non-executive Directors) are appointed for a specific term of 3 years, subject to renewal after the expiry of the current term.

Code provision B.2.2 of Part 2 of the CG Code states that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

According to the Bye-Laws, one-third of the Directors for the time being are required (or, if their number is not a multiple of three, then the number nearest to but not less than one-third) to retire from office by rotation at each annual general meeting (the "AGM") of the Company, provided that every Director is subject to retirement at least once every three years. The retiring Directors are eligible to offer themselves for re-election.

Details of the Directors' service contracts are set out in the section headed "Directors and Directors' Service Contracts" in the Report of the Directors on page 29 of this report.

The Nomination Committee recommended that Mr. Zhou Wenbin, Mr. Gu Yuanping and Mr. Pu Yonghao, who will retire by rotation at the forthcoming AGM, be eligible to offer themselves for re-election.

In accordance with the Bye-Laws, all Directors are subject to retirement by rotation at least once every three years. Any Directors appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first AGM of the Company after his/her appointment and shall be eligible for re-election at such meeting.

**Responsibilities, accountabilities and contributions of the board and management**

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

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.

All Directors have full and timely access to all the information of the Company as well as the services and advice from the company secretary and senior management. The Directors 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 and the Board regularly reviews the contribution required from each Director to perform his/her responsibilities to the Company.

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.

**Continuous professional development of directors**

Directors keep abreast of responsibilities as a director of the Company and of the conduct, business activities and development of the Company.

Every newly appointed Director will receive formal, comprehensive and tailored 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.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. All Directors are encouraged to attend relevant training courses at the Company's expenses.

During the year ended 31 December 2023, the following Directors have participated in continuous professional development by attending seminars, in-house briefing or reading materials on the following topics to develop and refresh their knowledge and skills:

| **Directors** | **Topic** Notes |
|---|---|
| *Executive Directors* | |
| Mr. Zhou Wenbin | 1,2,4 |
| Mr. Li Guangning | 1,2,4 |
| Mr. Xie Wei | 1,2,4 |
| Mr. Xie Hui (resigned on 20 April 2023) | 1,2,4 |
| Mr. Gu Yuanping | 1,2,4 |
| Mr. Dai Geying (appointed on 20 April 2023) | 1,2,4 |
| Ms. Luo Bin (appointed on 20 April 2023) | 1,2,4 |
| *Non-executive Director* | |
| Mr. Zou Chaoyong (resigned on 20 April 2023) | 1,2,4 |
| *Independent Non-executive Directors* | |
| Dr. Chen Jieping | 1,2,3,4 |
| Mr. Pu Yonghao | 1,2,3,4 |
| Mr. Guo Shihai | 1,2,3,4 |

Notes:

1. Corporate governance

2. Regulatory updates

3. Finance and accounting

4. Industry updates

In addition, relevant reading materials including legal and regulatory update seminar handouts have been provided to the Directors for their reference and studying.

## 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 defined written terms of reference and are of no less exacting terms than those set out in the CG Code. The terms of reference of the Board committees are posted on the Company's website and the Stock Exchange's website and are available to shareholders upon request.

The majority of the members of each Board committee are independent non-executive Directors and the list of the chairman and members of each Board committee is set out under "Corporate Information" on page 5 of this report.

### Audit Committee

The Audit Committee currently comprises three members, namely Dr. Chen Jieping (chairman), Mr. Pu Yonghao and Mr. Guo Shihai (including at least one independent non-executive Director with appropriate professional qualifications or accounting or related financial management expertise), all are independent non-executive Directors. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control procedures, risk management and internal control systems, audit plan and relationship with external auditor, and arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company.

The Audit Committee held two meetings to review interim and annual financial results and reports in respect of the year ended 31 December 2023 and significant issues on the financial reporting and compliance procedures, internal control and risk management systems, scope of work and re-appointment of external auditor, the effectiveness of its internal audit function and arrangements for employees to raise concerns about possible improprieties. The attendance records of the Audit Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

The Audit Committee also met with the external auditor twice a year and at least once a year the Audit Committee shall meet with the external auditor without the presence of the executive Directors.

### Remuneration Committee

The Remuneration Committee currently comprises five members, namely, Mr. Pu Yonghao (chairman), Dr. Chen Jieping and Mr. Guo Shihai (independent non-executive Directors), Mr. Xie Wei and Mr. Zhou Wenbin (executive Directors).

The primary functions of the Remuneration Committee include reviewing and making recommendations to the Board on the remuneration packages of individual executive Directors, non-executive Directors and senior management, the remuneration policy and structure for all Directors and senior management; and 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.

The Remuneration Committee held one meeting to determine, review and make recommendations 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 records of the Remuneration Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

Details of the remuneration of the senior management by band for the year ended 31 December 2023 are set out in note 9 in the Notes to the Consolidated Financial Statements on pages 103 to 105 of this Report.

**Nomination Committee**

The Nomination Committee currently comprises three members, namely, Mr. Guo Shihai (chairman), Dr. Chen Jieping and Mr. Pu Yonghao, all of whom are independent non-executive Directors.

The principal duties of the Nomination Committee include reviewing the Board composition, developing and formulating relevant procedures for the nomination and appointment of Directors, making recommendations to the Board on the appointment and succession planning of Directors, and assessing the independence of independent non-executive Directors.

In assessing the Board composition, the Nomination Committee would take into account various aspects 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 consideration and approval.

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

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 election at the AGM of the Company. The Nomination Committee considered an appropriate balance of diversity perspectives of the Board has been maintained. The attendance records of the Nomination Committee are set out under "Attendance Records of Directors and Committee Members" of this report.

**Board Diversity Policy**

The Company has adopted a Board Diversity Policy which sets out the approach to achieve diversity of the Board. The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at the Board level as an essential element in maintaining the Company's competitive advantage.

Pursuant to the Board Diversity Policy, the Nomination Committee will review annually the structure, size and composition of the Board and where appropriate, make recommendations on changes to the Board to complement the Company's corporate strategy and to ensure that the Board maintains a balanced diverse profile. In relation to reviewing and assessing the Board composition, the Nomination Committee is committed to diversity at all levels and will consider a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, professional qualifications, skills, knowledge and industry and regional experience and length of service.

The Company aims to maintain an appropriate balance of diversity perspectives that are relevant to the Company's business growth and is also committed to ensuring that recruitment and selection practices at all levels (from the Board downwards) are appropriately structured so that a diverse range of candidates are considered.

The Board will review the measurable objectives relevant to the Board composition in accordance with the Board Diversity Policy and will consider setting measurable objectives to implement the Board Diversity Policy and review such objectives from time to time to ensure their appropriateness and ascertain the progress made towards achieving those objectives.

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

As at the year ended 31 December 2023, the Board's composition can be summarised by the following main diversity perspectives:

| Board Members | Number of Directors |
|---|---|
| **Gender** | |
| Female | 1 |
| Male | 8 |
| **Ethnicity** | |
| Chinese | 9 |
| **Age** | |
| 31-40 | 1 |
| 41-50 | 2 |
| 51-60 | 4 |
| 61-70 | 1 |
| 71-80 | 1 |
| **Length of Service** | |
| Less than 1 year | 2 |
| 1-3 years | 4 |
| 4-6 years | 0 |
| 7-9 years | 3 |

The Nomination Committee reviews annually on the composition of the Board under diversified perspectives according to the Board Diversity Policy, and monitor the implementation of the Board Diversity Policy to ensure its effectiveness. The Board is satisfied that the current level of diversity of the Board is appropriate to the requirements of the Group's business model and specific needs and the Board Diversity Policy is consistently implemented. The Board targets to maintain at least the current level of female Director representation and as part of the succession planning, the Board will continue to seek opportunities to increase the female Director representation over time as and when suitable candidates are identified.

### Gender Diversity

The Company values gender diversity across all levels of the Group. The following table sets out the gender ratio in all employees of the Group, including senior management as at the date of this report:

| | Female | Male |
|---|---|---|
| Overall workforce (including senior management) | 39.6% | 60.4% |

The Board considers that the current overall workforce is sufficiently diverse and is of the view that the current gender diversity has achieved the objective set by the Company. Going forward, the Board will continue its efforts in ensuring that appropriate balance of gender diversity is achieved with reference to stakeholders' expectation and recommended best practices.

Details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report during the year ended 31 December 2023 published on 28 March 2024 by the Company.

### 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 of the Company 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 qualification, skills, knowledge and industry and regional experience 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.

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.

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

**Corporate governance functions**

The Board is responsible for performing the functions set out in the code provision A.2.1 of Part 2 of the CG Code.

The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development 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 disclosures in this Corporate Governance Report.

## ATTENDANCE RECORDS OF DIRECTORS AND COMMITTEE MEMBERS

The attendance records of each Director at the Board and Board committee meetings and the general meetings of the Company held during the year ended 31 December 2023 are set out in the table below:

| | Attendance/Number of Meetings | | | | |
|---|---|---|---|---|---|
| **Name of Director** | **Board** | **Nomination Committee** | **Remuneration Committee** | **Audit Committee** | **Annual General Meeting** |
| Li Guangning | 4/4 | – | – | – | 1/1 |
| Zhou Wenbin | 4/4 | – | 1/1 | – | 1/1 |
| Xie Wei | 4/4 | – | 1/1 | – | 1/1 |
| Xie Hui (resigned on 20 April 2023) | 2/2 | – | 1/1 | – | – |
| Gu Yuanping | 4/4 | 1/1 | 1/1 | – | 1/1 |
| Dai Geying (appointed on 20 April 2023) | 1/1 | – | – | – | 1/1 |
| Luo Bin (appointed on 20 April 2023) | 1/1 | – | – | – | 1/1 |
| Zou Chaoyong (resigned on 20 April 2023) | 3/3 | – | – | – | – |
| Chen Jieping | 4/4 | 1/1 | 1/1 | 2/2 | 1/1 |
| Pu Yonghao | 4/4 | 1/1 | 1/1 | 2/2 | 1/1 |
| Guo Shihai | 4/4 | 1/1 | 1/1 | 2/2 | 1/1 |

Apart from regular Board meetings, the Chairman also held one meeting with the independent non-executive Directors without the presence of other Directors during the year.

## DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the financial statements of the Company for the year ended 31 December 2023.

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 auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 55 to 59.

There is no disagreement between the Board and the Audit Committee regarding the selection, appointment, resignation or dismissal of external auditor.

## AUDITOR'S REMUNERATION

During the year ended 31 December 2022, PricewaterhouseCoopers retired as the external auditor of the Company at the conclusion of the AGM of the Company held on 31 May 2022 and Ernst & Young was appointed as the new external auditor of the Company following the retirement of PricewaterhouseCoopers. An analysis of the remuneration paid or payable to the external auditor of the Company, Ernst & Young, in respect of audit services and non-audit services for the year ended 31 December 2023 is set out below:

| Service Category | Fees Paid/ Payable RMB (yuan) |
|---|---|
| Audit Services | 1,887,000 |
| Non-audit Services | |
| – ESG advisory services | 126,871 |
| – Internal control and risk management advisory services | 144,995 |
| – Taxation related services | 95,153 |
| | 2,254,019 |

## RISK MANAGEMENT AND INTERNAL CONTROLS

### The Board and the Audit Committee

The Board acknowledges its responsibility for maintaining sound and effective risk management and internal control systems and reviewing their effectiveness. The Board regularly monitors and updates the Group's risk profile and exposure, and evaluates the effectiveness of the risk management and internal control systems at least annually. During the year, a review of the effectiveness of the risk management and internal control systems was conducted. 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.

### Risk Management and Internal Control Systems

The Group's risk management and internal control systems are designed to manage and mitigate risks, rather than eliminate risks, and can only provide reasonable and not absolute assurance against material misstatement or loss. The Group has employed a bottom-up approach for identification, assessment and mitigation of risk at business unit level and across functional areas.

### Main Features of Risk Management and Internal Control Systems

The key elements of the Group's risk management and internal control systems to ensure their effectiveness include the establishment of a Risk Register to track and document identified risks, the assessment and evaluation of risks, the development and continuous updating of responsive procedures, and the on-going testing of internal control procedures.

An on-going risk assessment approach is adopted by the Group for identifying and assessing the key inherent risks that affect the achievement of its objectives. A risk matrix is adopted to determine risk rating (L=low risk, M=medium risk, H=high risk) after evaluation of the risk by the likelihood and the impact of the risk event. The risk ratings reflect the level of management attention and risk treatment effort required.

### Process Used to Identify, Evaluate and Manage Significant Risks

During the process of risk assessment, each of the risk owner of departments and major subsidiaries is required to capture and identify the key inherent risks that affect the achievement of its objectives. Each inherent risk is evaluated according to the risk matrix. After taking into consideration the risk responses, such as control measures in place to mitigate the risk, the residual risk of each inherent risk is evaluated again. The Risk Register with the risk responses and residual risks is reported to the Audit Committee. The Audit Committee, acting on behalf of the Board, evaluates the effectiveness of the systems. The highest category of residual risks is subject to the Board's oversight.

### Procedures and Internal Controls for Handling and Dissemination of Inside Information

Regarding the procedures and internal controls for the handling and dissemination of inside information, the Group is aware of its obligations under the SFO, the Listing Rules and the overriding principle. The Group conducts its affairs with close regard to the applicable laws and regulations prevailing in Hong Kong. The Group regulates the handling and dissemination of inside information to ensure inside information remains confidential until the disclosure of such information is appropriately approved and the dissemination of such information is efficiently and consistently made. Meanwhile, the Group has also implemented procedures to guard against possible mishandling of inside information within the Group, including but not limited to, pre-clearance on dealing in the securities of the Company by designated members of the management and notification of regular blackout period and securities dealing restrictions to Directors and relevant employees.

### Process Used to Review the Effectiveness of the Risk Management & Internal Control Systems and to Resolve Material Internal Control Defects

In view of the Company's business and scale of operations, and in order to adopt the most cost-effective method of conducting periodic reviews of the Company's internal controls, the Board has engaged an independent consulting firm conducting an annual review of the effectiveness of the Company's risk management and internal control systems according to the scope of review agreed and approved by the Audit Committee, which enhance the internal audit function of the Company.

The independent consulting firm reported directly to the Audit Committee and the Audit Committee is satisfied that there has been no major deficiency noted in the areas of the Company's risk management and internal control systems being reviewed after implementation of recommendations of the internal control defects reported by the independent consulting firm. The management has also confirmed to the Board and the Audit Committee on the effectiveness of the risk management and internal control systems. Accordingly, the Board as supported by the Audit Committee, as well as the management report and the internal relevant findings, reviewed and considered the risk management and internal control systems to be effective and adequate.

### Whistleblowing Policy

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.

### Anti-Corruption Policy

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 Head of Human Resources, 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.

## JOINT COMPANY SECRETARIES

Mr. Gu Yuanping of the Company and Ms. Chan Sau Ling of Tricor Services Limited, the external service provider, have acted as joint company secretaries of the Company. The primary contact person of Ms. Chan Sau Ling at the Company is Mr. Gu Yuanping. For the year ended 31 December 2023, Mr. Gu Yuanping and Ms. Chan Sau Ling have undertaken not less than 15 hours of relevant professional trainings to update the skills and knowledge in compliance with Rule 3.29 of the Listing Rules.

## SHAREHOLDERS' RIGHTS

To safeguard shareholders' interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual Directors. All resolutions put forward at general meetings 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.

### Shareholders' rights

*i.* ***Procedure for shareholders to convene a special general meeting:***

Shareholder(s) holding, at the date of deposit of the requisition, not less than one-tenth of the total voting rights (on a one vote per share basis) in the share capital of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require a special general meeting to be called by the Board for the transaction of any business specified in such a requisition and/or add resolutions to the agenda of such meeting. This meeting shall be held within two months after the deposit of the requisition. If, within 21 days of the deposit, the Board fails to proceed to convene such a meeting, the requisitionist(s) himself (themselves) may do so in accordance with Section 74(3) of the Companies Act 1981 of Bermuda.

*ii.* ***Procedure for shareholders to propose a person for election as a director at a general meeting:***

If a shareholder wishes to propose a person (the "Candidate") for election as a director at a general meeting, he/she shall deposit a written notice (the "Notice") at the Company's head office in Hong Kong at Room 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong. The Notice (a) must include the personal information of the Candidate as required by Rule 13.51(2) of the Listing Rules and his/her contact details; and (b) must be signed by the shareholder concerned, including the information/documents to verify the identity of the shareholder and signed by the Candidate indicating his/her willingness to be elected and consent of publication of his/her personal data. The period for lodgement of the Notice shall commence no earlier than the date after the dispatch of the notice of the general meeting and end no later than seven days prior to the date of such a general meeting. To ensure the Company's shareholders have sufficient time to receive and consider the proposal of election of the Candidate as a director, without adjourning the general meeting, shareholders are urged to submit and lodge the Notice as soon as practicable, say at least 15 business days prior to the date of the general meeting appointed for the election.

### Putting forward enquiries to the board

For putting forward any enquiries to the Board, 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 3605, 36/F, Cheung Kong Center, 2 Queen's Road Central, Central, Hong Kong (For the attention of the Board) |
| Fax: | (852) 3465 5333 |
| Email: | ir982@huafagroup.com |

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.

Shareholders may call the Company at (852) 3465 5300 for any assistance.

## COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

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 AGMs and other general meetings. At the AGM, Directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

The general meetings of the Company provide a forum for communication between the Board and the shareholders. The Chairman of the Board as well as chairmen of the Nomination Committee, Remuneration Committee and Audit Committee (or their delegates) will make themselves available at the AGMs to meet shareholders and answer their enquiries.

During the year ended 31 December 2023, an AGM was held on 31 May 2023. The notice of AGM was sent to shareholders at least 21 clear days before the AGM.

To promote effective communication, the Company maintains a website at www.huafapropertyservices.com where up-to-date information and updates on the Company's financial information, corporate governance practices and other information are posted.

There was no change in the Company's Memorandum of Association and Bye-Laws during the year ended 31 December 2023.

### Policy 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 Board reviewed the implementation and effectiveness of the Shareholders' Communication Policy, which enables the Company to carry out effective communication with its shareholders by way of regular meetings and timely updates of the Company's financial results and operational developments, and was satisfied with the implementation and effectiveness of the measures relating to shareholders' communication.

The Company has established a number of channels for maintaining an on-going dialogue with its shareholders as follows:

***(a) Corporate Communication***

"Corporate Communication" as defined under the Listing Rules refers to any document issued or to be issued by the Company for the information or action of holders of any of its securities, including but not limited to the following documents of the Company: (a) the Directors' report, annual accounts together with a copy of the auditor's report and, where applicable, its summary financial report; (b) the interim report and, where applicable, its summary interim report; (c) a notice of meeting; (d) a listing document; (e) a circular; and (f) a proxy form. The Corporate Communication of the Company will be published on the Stock Exchange's website (www.hkex.com.hk) in a timely manner as required by the Listing Rules. Corporate Communication will be provided to shareholders and non-registered holders of the Company's securities in both English and Chinese versions or where permitted, in a single language, in a timely manner as required by the Listing Rules. Shareholders and non-registered holders of the Company's securities shall have the right to choose the language (either English or Chinese) or means of receipt of the Corporate Communication (in printed form or through electronic means).

Pursuant to Rule 2.07A of the Listing Rules and the Bye-Laws, the Company will disseminate the future corporate communications of the Company to its shareholders electronically and only send Corporate Communications in printed form to the shareholders upon request. Details of the arrangements (i) for dissemination of Corporate Communications and (ii) for requesting printed copy of Corporate Communications are published under the section "Investor Relations" in the Company's website (www.huafapropertyservices.com).

***(b) Corporate Website***

The Corporate Communication posted on the Stock Exchange's website will also be published on the Company's website.

***(c) Shareholders' Meetings***

The AGM and other general meetings of the Company are primary forum for communication between the Company and its shareholders. The Company shall provide shareholders with relevant information on the resolutions(s) proposed at a general meeting in a timely manner in accordance with the Listing Rules. The information provided shall be reasonably necessary to enable shareholders to make an informed decision on the proposed resolution(s). Shareholders are encouraged to participate in general meetings or to appoint proxies to attend and vote at the meetings for and on their behalf if they are unable to attend the meetings. Where appropriate or required, the Chairman of the Board and other Board members, the chairmen of board committees or their delegates, and the external auditor should attend general meetings of the Company to answer shareholders' questions (if any). The chairman of the independent board committee (if any) should also be available to answer questions at any general meeting to approve a connected transaction or any other transaction that is subject to independent shareholders' approval.

***(d) Shareholders' Enquiries***

Shareholders shall direct their questions about their shareholdings to the Company's Hong Kong branch share registrar and transfer office, Tricor Investor Services Limited. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company.

# INDEPENDENT AUDITOR'S REPORT

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

安永會計師事務所
香港鰂魚涌英皇道979號
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To the shareholders of Huafa Property Services Group Company Limited
*(Incorporated in Bermuda with limited liability)*

## OPINION

We have audited the consolidated financial statements of Huafa Property Services Group Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 60 to 132, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

## BASIS FOR OPINION

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

## KEY AUDIT MATTERS

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

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

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Provision for expected credit losses on trade receivables** | |
| As at 31 December 2023, the Group had trade receivables of RMB510,059,000, after making loss allowance of RMB89,526,000. The Group uses a provision matrix to calculate expected credit losses ("ECLs") for trade receivables. The provision rates are based on ageing for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates the matrix to adjust the historical credit loss experience with forward-looking information.<br><br>We identified the provision for expected credit losses on trade receivables as a key audit matter because the balance of trade receivables was material to the Group and the recognition of expected credit losses was inherently subjective and required the exercise of significant judgements and estimations by management.<br><br>The significant accounting estimates and disclosures about the provision for expected credit losses on trade receivables are included in notes 3 and 19 to the consolidated financial statements. | Our audit procedures to assess the provision for expected credit losses on trade receivables included the following:<br><br>• Obtaining an understanding of and evaluating management's controls in relation to the assessment of the expected credit losses of trade receivables;<br><br>• Assessing the appropriateness of the impairment assessment approach adopted by the management, including the appropriateness of customers grouping, the ageing profile, historical default data and other assumptions involved in management's estimation;<br><br>• Assessing the estimated credit loss rates by considering historical cash collection and movements of the ageing of receivables, the market conditions and forward-looking factors;<br><br>• Testing on a sample basis, the accuracy of ageing analysis of trade receivables prepared by the management;<br><br>• Checking the mathematical accuracy of the ECLs calculation for the loss allowance on trade receivables; and<br><br>• Assessing the adequacy of the disclosures in the consolidated financial statements in connection with the impairment of trade receivables. |

## OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

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

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

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

## RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 90 of the Bermuda Companies Act 1981, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

**Ernst & Young**
*Certified Public Accountants*

Hong Kong
28 February 2024

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | **1,775,742** | 1,599,056 |
| Cost of sales | | **(1,297,831)** | (1,203,261) |
| Gross profit | | **477,911** | 395,795 |
| Other income and other (losses)/gains, net | 6 | **(1,737)** | 29,560 |
| Selling and marketing expenses | | **(7,818)** | (5,727) |
| Administrative expenses | | **(82,353)** | (98,979) |
| Impairment losses on financial assets | | **(22,985)** | (22,005) |
| Finance costs, net | 8 | **(14,563)** | (9,827) |
| Share of profits and losses of: | | | |
| A joint venture | | **180** | (118) |
| Associates | | **519** | 165 |
| **PROFIT BEFORE TAX** | 7 | **349,154** | 288,864 |
| Income tax expense | 11 | **(98,893)** | (94,392) |
| **PROFIT FOR THE YEAR** | | **250,261** | 194,472 |
| Attributable to: | | | |
| Owners of the parent | | **249,184** | 193,410 |
| Non-controlling interests | | **1,077** | 1,062 |
| | | **250,261** | 194,472 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | 13 | | |
| Basic and diluted | | | |
| – For profit for the year (expressed in RMB cents per share) | | **2.48** | 1.92 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | **250,261** | 194,472 |
| | | |
| **OTHER COMPREHENSIVE LOSS** | | |
| Other comprehensive loss that may be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements | **(2,575)** | (16,111) |
| | | |
| Other comprehensive loss that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements of the Company | **(4,151)** | (45,970) |
| | | |
| **OTHER COMPREHENSIVE LOSS FOR THE YEAR, NET OF TAX** | **(6,726)** | (62,081) |
| | | |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | **243,535** | 132,391 |
| | | |
| Attributable to: | | |
| Owners of the parent | **242,458** | 131,329 |
| Non-controlling interests | **1,077** | 1,062 |
| | | |
| | **243,535** | 132,391 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2023

| | Notes | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 14 | **36,160** | 31,516 |
| Right-of-use assets | 15(a) | **16,289** | 21,145 |
| Intangible assets | 16 | **8,611** | 7,599 |
| Investment in a joint venture | | **1,758** | 1,239 |
| Investments in associates | | **1,632** | 452 |
| Deferred tax assets | 25 | **24,807** | 23,110 |
| Financial asset at fair value through profit or loss | 17 | **4,434** | 6,532 |
| Total non-current assets | | **93,691** | 91,593 |
| **CURRENT ASSETS** | | | |
| Inventories | 18 | **14,988** | 8,836 |
| Trade receivables | 19 | **510,059** | 398,297 |
| Prepayments, other receivables and other assets | 20 | **39,920** | 30,812 |
| Restricted bank balances | 21 | **6,068** | 5,627 |
| Cash and cash equivalents | 21 | **382,445** | 454,457 |
| Total current assets | | **953,480** | 898,029 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 22 | **177,956** | 140,233 |
| Other payables and accruals | 23 | **394,198** | 403,485 |
| Interest-bearing bank borrowings | 24 | **175,560** | 381,355 |
| Lease liabilities | 15(b) | **3,746** | 4,640 |
| Tax payable | | **41,814** | 23,246 |
| Total current liabilities | | **793,274** | 952,959 |
| **NET CURRENT ASSETS/(LIABILITIES)** | | **160,206** | (54,930) |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **253,897** | 36,663 |

| | Notes | 31 December 2023 RMB'000 | 31 December 2022 RMB'000 |
|---|---|---|---|
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 15(b) | **2,704** | 5,458 |
| Deferred tax liabilities | 25 | **1,507** | 23,183 |
| Other payable | 23 | **1,691** | 1,940 |
| Total non-current liabilities | | **5,902** | 30,581 |
| Net assets | | **247,995** | 6,082 |
| **EQUITY** | | | |
| **Equity attributable to owners of the parent** | | | |
| Share capital | 26 | **2,200** | 2,200 |
| Reserves | 27 | **241,969** | 269 |
| | | **244,169** | 2,469 |
| Non-controlling interests | | **3,826** | 3,613 |
| Total equity | | **247,995** | 6,082 |

**Zhou Wenbin**
*Director*

**Gu Yuanping**
*Director*

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2023

| | Attributable to owners of the parent | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 (Note 26) | Share premium RMB'000 (Note 27) | Special reserve RMB'000 (Note 27) | Statutory reserves RMB'000 (Note 27) | Other reserve RMB'000 (Note 27) | Merger reserve RMB'000 (Note 27) | Exchange fluctuation reserve RMB'000 (Note 27) | Retained earnings RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total (deficit)/ equity RMB'000 |
| At 1 January 2022 | 2,200 | 144,919 | 4,186 | 37,421 | (465) | (678,983) | 54,171 | 307,691 | (128,860) | 2,551 | (126,309) |
| Profit for the year | – | – | – | – | – | – | – | 193,410 | 193,410 | 1,062 | 194,472 |
| Other comprehensive losses for the year: | | | | | | | | | | | |
| Exchange differences on translation of financial statements | – | – | – | – | – | – | (62,081) | – | (62,081) | – | (62,081) |
| Total comprehensive income for the year | – | – | – | – | – | – | (62,081) | 193,410 | 131,329 | 1,062 | 132,391 |
| Appropriation to statutory reserves | – | – | – | 46,434 | – | – | – | (46,434) | – | – | – |
| At 31 December 2022 and 1 January 2023 | 2,200 | 144,919 | 4,186 | 83,855 | (465) | (678,983) | (7,910) | 454,667 | 2,469 | 3,613 | 6,082 |
| Profit for the year | – | – | – | – | – | – | – | 249,184 | 249,184 | 1,077 | 250,261 |
| Other comprehensive losses for the year: | | | | | | | | | | | |
| Exchange differences on translation of financial statements | – | – | – | – | – | – | (6,726) | – | (6,726) | – | (6,726) |
| Total comprehensive income for the year | – | – | – | – | – | – | (6,726) | 249,184 | 242,458 | 1,077 | 243,535 |
| Capital reduction on a subsidiary | – | – | – | (45,227) | – | – | 2,486 | 42,741 | – | – | – |
| Acquisition of non-controlling interests | – | – | – | – | (758) | – | – | – | (758) | (864) | (1,622) |
| Appropriation to statutory reserves | – | – | – | 2,357 | – | – | – | (2,357) | – | – | – |
| At 31 December 2023 | 2,200 | 144,919* | 4,186* | 40,985* | (1,223)* | (678,983)* | (12,150)* | 744,235* | 244,169 | 3,826 | 247,995 |

* These reserve accounts comprise the consolidated reserves of RMB241,969,000 (2022: RMB269,000) in the consolidated statement of financial position.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

| | Notes | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax: | | **349,154** | 288,864 |
| Adjustments for: | | | |
| Interest expense | 8 | **17,351** | 12,870 |
| Interest income | 8 | **(3,112)** | (3,171) |
| Share of profits and losses of a joint venture | | **(180)** | 118 |
| Share of profits and losses of associates | | **(519)** | (165) |
| Loss on disposal of items of property, plant and equipment | 6 | **63** | 116 |
| Revision of a lease term | | **(171)** | – |
| Fair value loss on a financial asset at fair value through profit or loss | 6 | **2,180** | 3,591 |
| Depreciation of property, plant and equipment | 14 | **8,766** | 7,523 |
| Depreciation of right-of-use assets | 15 | **5,800** | 6,458 |
| Amortisation of intangible assets | 16 | **1,568** | 1,480 |
| Impairment losses on financial assets | 7 | **22,985** | 22,005 |
| Others | | **(2,486)** | – |
| | | **401,399** | 339,689 |
| (Increase)/decrease in inventories | | **(6,152)** | 2,904 |
| Increase in trade receivables | | **(134,864)** | (134,750) |
| Decrease/(increase) in prepayments, other receivables and other assets | | **3,433** | (7,302) |
| Increase in restricted bank balances | | **(441)** | (1,165) |
| Increase in trade payables | | **37,723** | 51,210 |
| (Decrease)/increase in the amount due to a related party | | **(433)** | 97 |
| Increase in contract liabilities | | **29,092** | 19,429 |
| Decrease in other payables and accruals | | **(48,279)** | (14,179) |
| Cash generated from operations | | **281,478** | 255,933 |
| Income tax paid | | **(103,698)** | (57,022) |
| Net cash flows from operating activities | | **177,780** | 198,911 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2023

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Net cash flows from operating activities | | **177,780** | 198,911 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Interest received | | **3,112** | 3,171 |
| Purchases of items of property, plant and equipment | | **(15,338)** | (19,627) |
| Purchases of intangible assets | | **(2,580)** | (1,179) |
| Proceeds from disposal of items of property, plant and equipment | | **690** | 114 |
| Investment in an associate | | **(1,000)** | – |
| Net cash flows used in investing activities | | **(15,116)** | (17,521) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Interest paid | | **(17,683)** | (11,332) |
| New bank borrowings | | **450,237** | 157,027 |
| Repayment of bank borrowings | | **(660,857)** | (324,408) |
| Principal and interest elements of lease payments | 15(b) | **(4,793)** | (4,554) |
| Acquisition of non-controlling interests | | **(1,622)** | – |
| Net cash flows used in financing activities | | **(234,718)** | (183,267) |
| **NET DECREASE IN CASH AND CASH EQUIVALENTS** | | **(72,054)** | (1,877) |
| Cash and cash equivalents at beginning of year | | **454,457** | 452,087 |
| Effect of foreign exchange rate changes, net | | **42** | 4,247 |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | **382,445** | 454,457 |
| **ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances | 21 | **388,513** | 460,084 |
| Less: Restricted bank balances | 21 | **(6,068)** | (5,627) |
| Cash and cash equivalents as stated in the consolidated statement of cash flows | | **382,445** | 454,457 |

## 1. CORPORATE AND GROUP INFORMATION

Huafa Property Services Group Company Limited is a limited liability company incorporated in Bermuda. The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

During the year, the Group was involved in the following principal activities:

- the provision of property management services in Chinese Mainland
- hotel advisory and exhibition services in Chinese Mainland

In the opinion of the directors, the holding company of the Company is Huajin Investment Company Limited, which is incorporated in Samoa, and the ultimate holding company of the Company is Zhuhai Huafa Group Company Limited ("Zhuhai Huafa"), which is established in the People's Republic of China (the "PRC").

### Information about subsidiaries

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

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Huajin International Bay Area High-end Services Holdings Company Limited | Hong Kong | Hong Kong dollar ("HKD") 1,230,000 | 100% | – | Investment holding |
| Huafa Property Management Services (Hong Kong) Ltd. ("Huafa Property HK") | Hong Kong | HKD93,000,010 | 100% | – | Investment holding |
| 北京華發物業管理服務有限公司 Beijing Huafa Property Management Services Co, Ltd. *(note (a))* | PRC/Chinese Mainland | United States dollar ("USD") 500,000 | – | 100% | Investment holding |
| 華發物業服務有限公司 Huafa Property Service Co, Ltd *(note (b))* | PRC/Chinese Mainland | Renminbi ("RMB") 50,000,000 | – | 100% | Property management |
| 珠海華發樓宇機電工程有限公司 Zhuhai Huafa Building Mechanical and Electrical Engineering Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB40,000,000 | – | 100% | Installation, sale and maintenance of elevators |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| 珠海華發餐飲管理服務有限公司 Zhuhai Huafa Catering Management Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB20,000,000 | – | 100% | Food and beverage services |
| 珠海華發市政綜合服務有限公司 Zhuhai Huafa Municipal Comprehensive Services Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB10,010,000 | – | 100% | Municipal projects supporting |
| 廣東華發保安服務有限公司 Guangdong Huafa Security Services Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB10,000,000 | – | 100% | Security services |
| 珠海華物優選生活服務有限公司 Zhuhai Huawu Preferred Living Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB5,000,000 | – | 100% | E-commerce |
| 重慶華發生活服務有限公司 Chongqing Huafa Life Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB5,000,000 | – | 100% | Property management |
| 珠海市橫琴新區華金國際酒店管理有限公司 Zhuhai Hengqin New Area Huajin International Hotel Management Company Limited *(note (a))* | PRC/Chinese Mainland | RMB5,000,000 | – | 100% | Hotel advisory service |
| 陝西華發物業服務有限公司 Shanxi Huafa Property Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB2,000,000 | – | 100% | Property management |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| 華發商務服務(珠海)有限公司 Huafa Business Services (Zhuhai) Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Property management |
| 華發物業服務(佛山)有限公司 Huafa Property Service (Foshan) Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Property management |
| 華發芳鄰(武漢)科技有限公司 Huafa Fanglin (Wuhan) Technology Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Agency service |
| 珠海華鄰生活服務有限公司 Zhuhai Hualin Life Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 60% | Agency service |
| 華成現代科技服務(成都)有限公司 Huacheng Modern Technology Service (Chengdu) Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Property management |
| 華發物業城市服務(深圳)有限公司 Huafa Property City Service (Shenzhen) Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Property management |

## 1. CORPORATE AND GROUP INFORMATION (continued)

### Information about subsidiaries (continued)

| Name | Place of incorporation/ registration and business | Issued ordinary/ registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| 華發物業經營管理(廣州)有限公司 Huafa Property Management (Guangzhou) Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB1,000,000 | – | 100% | Property management |
| 珠海華發仲量聯行物業服務有限公司 Zhuhai Huafa Zhongliang Lianxing Property Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB500,000 | – | 100% | Property management |
| 珠海市橫琴新區華金國際會展服務有限公司 Zhuhai Hengqin New Area Huajin International Convention Services Company Limited *(note (a))* | PRC/Chinese Mainland | RMB500,000 | – | 100% | Exhibition service |
| 昆明華發融創物業管理服務有限公司 Kunming Huafa Rongchuang Property Management Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB5,000,000 | – | 70% | Property management |
| 北京華園物業服務有限公司 Beijing Huayuan Property Service Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB2,000,000 | – | 51% | Property management |
| 上海仁恒華發物業管理有限公司 Shanghai Renheng Huafa Property Management Co., Ltd. *(note (b))* | PRC/Chinese Mainland | RMB5,000,000 | – | 51% | Property management |

The English names of certain group companies registered in the PRC represent management's best effort to translate their Chinese names as they do not have any official English names.

*Notes:*

(a) Registered as a wholly-foreign-owned enterprise under the laws of the PRC.

(b) Registered as domestic enterprises under the laws of the PRC.

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.

## 2. ACCOUNTING POLICIES

### 2.1 Basis of preparation

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for a financial asset at fair value through profit or loss and a non-current other payable. These financial statements are presented in RMB and all values are rounded to the nearest thousand except when otherwise indicated.

***Basis of consolidation***

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "Group") for the year ended 31 December 2023. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.2 Changes in accounting policies and disclosures

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

| | |
|---|---|
| HKFRS 17 | *Insurance Contracts* |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | *Disclosure of Accounting Policies* |
| Amendments to HKAS 8 | *Definition of Accounting Estimates* |
| Amendments to HKAS 12 | *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* |
| Amendments to HKAS 12 | *International Tax Reform – Pillar Two Model Rules* |

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

(a) Amendments to HKAS 1 require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 *Making Materiality Judgements* provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. The Group has disclosed the material accounting policy information in note 2 to the financial statements. The amendments did not have any impact on the measurement, recognition or presentation of any items in the Group's financial statements.

(b) Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(c) Amendments to HKAS 12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction* narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. Since the Group's approach and policy align with the amendments, the amendments had no impact on the Group's financial statements.

(d) The Group has not yet applied the temporary exception during the current year because the entities comprising the Group are operating in jurisdictions in which the Pillar Two tax law has not yet been enacted or substantively enacted. The Group will disclose known or reasonably estimable information related to its exposure to Pillar Two income taxes in the consolidated financial statements by the time when the Pillar Two tax law has been enacted or substantively enacted and will disclose separately the current tax expense or income related to Pillar Two income taxes when it is in effect.

## 2. ACCOUNTING POLICIES (continued)

### 2.3 Issued but not yet effective Hong Kong Financial Reporting Standards

The Group has not applied the following revised HKFRSs, that have been issued but are not yet effective, in these financial statements. The Group intends to apply these revised HKFRSs, if applicable, when they become effective.

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[1] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current (the "2020 Amendments")*[1, 4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants (the "2022 Amendments")*[1, 4] |
| Amendments to HKAS 7 and HKFRS 7 | *Supplier Finance Arrangements*[1] |
| Amendments to HKAS 21 | *Lack of Exchangeability*[2] |

1 Effective for annual periods beginning on or after 1 January 2024

2 Effective for annual periods beginning on or after 1 January 2025

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

The Group is in the process of making an assessment of the impact of these revised HKFRSs upon initial application. So far, the Group considers that these revised HKFRSs may result in changes in accounting policies but are unlikely to have a significant impact on the Group's results of operations and financial position.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies

***Investments in associates and joint ventures***

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

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

The Group's investments in associates and joint ventures are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates and joint ventures is included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate or joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's investments in the associates or joint ventures, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates or joint ventures is included as part of the Group's investments in associates or joint ventures.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other case, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in an associate or a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations*.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Business combinations and goodwill***

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

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

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

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

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

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Business combinations and goodwill (continued)***

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

***Fair value measurement***

The Group measures its financial asset at fair value through profit or loss and a non-current other payable at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

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

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

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

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

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Impairment of non-financial assets***

Where an indication of impairment exists, or when annual impairment testing for a non-financial asset is required (other than inventories, deferred tax assets and non-current assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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

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

***Related parties***

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

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

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

  (ii) has significant influence over the Group; or

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

or

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Related parties (continued)***

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

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

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

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

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

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

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

***Property, plant and equipment and depreciation***

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. When an item of property, plant and equipment is classified as held for sale or when it is part of a disposal group classified as held for sale, it is not depreciated and is accounted for in accordance with HKFRS 5, as further explained in the accounting policy for "Non-current assets and disposal groups held for sale". The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Property, plant and equipment and depreciation (continued)***

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

| | |
|---|---|
| Leasehold improvements | Over the shorter of the lease terms and 20% |
| Office equipment | 19.0% to 47.5% |
| Furniture and fixtures | 19.0% to 47.5% |
| Motor vehicles | 9.5% to 19.0% |

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

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

Construction in progress is stated at cost less any impairment losses, and is not depreciated. It is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

***Intangible assets (other than goodwill)***

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

***Computer software***

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over its estimated useful life of 10 years.

***Customer relationship***

Customer relationship acquired in a business combination is recognised at fair value at the acquisition date. The contractual customer relations have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method over the expected life of 3 years for the customer relationship.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Research and development costs***

All research costs are charged to the statement of profit or loss as incurred.

Expenditure incurred on projects to develop new products is capitalised and deferred only when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete the project and the ability to measure reliably the expenditure during the development. Product development expenditure which does not meet these criteria is expensed when incurred.

Deferred development costs are stated at cost less any impairment losses and are amortised using the straight-line basis over the commercial lives of the underlying products not exceeding ten years, commencing from the date when the products are put into commercial production.

***Leases***

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

*Group as a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

(a) Right-of-use assets

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

| | |
|---|---|
| Office premises | 1 to 5 years |
| Office equipment | 1 to 3 years |

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Leases (continued)***

*Group as a lessee (continued)*

(b) Lease liabilities

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

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

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

The Group applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the recognition exemption for leases of low-value assets to leases of office equipment and laptop computers that are considered to be of low value.

Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

***Investments and other financial assets***

*Initial recognition and measurement*

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Investments and other financial assets (continued)***

*Initial recognition and measurement (continued)*

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

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

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

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

*Subsequent measurement*

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

This category includes derivative instruments and equity investments which the Group had not irrevocably elected to classify at fair value through other comprehensive income. Dividends on the equity investments are also recognised as other income in the statement of profit or loss when the right of payment has been established.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Derecognition of financial assets***

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

- the rights to receive cash flows from the asset have expired; or

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

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

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

***Impairment of financial assets***

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

*General approach*

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Impairment of financial assets (continued)***

*General approach (continued)*

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 180 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group.

A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

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

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Impairment of financial assets (continued)***

*Simplified approach*

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

***Financial liabilities***

*Initial recognition and measurement*

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

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

The Group's financial liabilities include trade payables, other payables and interest-bearing bank borrowings.

*Subsequent measurement*

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

*Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. The net fair value gain or loss recognised in the statement of profit or loss does not include any interest charged on these financial liabilities.

Financial liabilities at amortised cost (trade and other payables, and borrowings)

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Derecognition of financial liabilities***

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

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

***Offsetting of financial instruments***

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

***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to completion and disposal.

***Cash and cash equivalents***

Cash and cash equivalents in the statement of financial position comprise cash on hand and at banks, and short-term highly liquid deposits with a maturity of generally within three months that are readily convertible into known amounts of cash, subject to an insignificant risk of changes in value and held for the purpose of meeting short-term cash commitments.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and at banks, and short-term deposits as defined above, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

***Provisions***

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Income tax***

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

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

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

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

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

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

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

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Income tax (continued)***

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

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

***Government grants***

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

***Revenue recognition***

*Revenue from contracts with customers*

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

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

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Revenue recognition (continued)***

*Revenue from contracts with customers (continued)*

(a) Property management services

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

For property management services income from properties managed under lump sum basis, where the Group acts as principal, the Group entitles to revenue at the value of property management services fee received or receivable. For property management service income from properties managed under commission basis, where the Group acts as an agent of the property owner, the Group entitles revenue at a pre-determined percentage or amount of the property management fee received or receivable by the properties.

(b) Value-added services for property owners

Value-added services for property owners mainly include daily value-added services and certain goods provided to residents. Revenue from daily value-added services is recognised when the services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer. Revenue from sale of goods is recognised at the point in time when control of the goods is transferred to the customer.

(c) Other value-added services

Other value-added services mainly include the vacant unit management services to property developers, municipal project supporting services to government, and food and beverage services and other value-added services to non-residents. The Group agrees upfront the price for each service with the customers. Revenue from other value-added services except for that from food and beverage services is recognised over time when the services are rendered. Payment of the transaction is due immediately when other value-added services are rendered to the customer. Revenue from food and beverage services is recognised at a point in time when control of the food and beverage is transferred to the customer.

(d) Hotel advisory and exhibition services

For hotel advisory revenue, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. For exhibition services, revenue is recognised at a point in time when exhibition booths or other decoration facilities are delivered to the customer on show end date and are accepted by the customer.

*Other income*

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Contract liabilities***

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

***Contract costs***

The employees of the Group's subsidiary which operates in Mainland China are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

Other than the costs which are capitalised as inventories, property, plant and equipment and intangible assets, costs incurred to fulfil a contract with a customer are capitalised as an asset if all of the following criteria are met:

(a) The costs relate directly to a contract or to an anticipated contract that the entity can specifically identify.

(b) The costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future.

(c) The costs are expected to be recovered.

The capitalised contract costs are amortised and charged to the statement of profit or loss on a systematic basis that is consistent with the transfer to the customer of the goods or services to which the asset relates. Other contract costs are expensed as incurred.

***Employee benefits***

*Pension schemes*

The employees of the Group's subsidiary which operates in Chinese Mainland are required to participate in a central pension scheme operated by the local municipal government. This subsidiary is required to contribute a certain percentage of its payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Employee benefits (continued)***

*Pension scheme (continued)*

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "MPF Scheme") under the Mandatory Provident Fund Schemes Ordinance for all of its employees in Hong Kong. Contributions are made based on a percentage of the employees』 basic salaries and are charged to the statement of profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

*Housing funds, medical insurances and other social insurances*

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

***Borrowing costs***

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. All borrowing costs are expensed in the period in which they are incurred.

***Dividends***

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

## 2. ACCOUNTING POLICIES (continued)

### 2.4 Material accounting policies (continued)

***Foreign currencies***

These financial statements are presented in RMB. The functional currency of the Company is HKD. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of profit or loss.

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

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

The functional currencies of certain entities operating outside Chinese Mainland are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve, except to the extend that the differences are attributable to non-controlling interests. On disposal of a foreign operation, the cumulative amount in the reserve relating to that particular foreign operation is recognised in the statement of profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

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

### Estimation uncertainty

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

#### *Provision for expected credit losses on trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on the ageing for groupings of various customer segments that have similar loss patterns (i.e., customer type and service type).

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

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in note 19 to these financial statements.

## 4. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has two reportable operating segments as follows:

(a) Property management – Provision of property management services and related value-added services, including municipal supporting services and other services; and

(b) Hotel advisory and exhibition services – Provision of hotel advisory services, exhibition planning and organisation services.

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

Segment assets exclude an investment in a joint venture, investments in associates, deferred tax assets, a financial asset at fair value through profit or loss, and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude interest-bearing bank borrowings, tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

## 4. OPERATING SEGMENT INFORMATION (continued)

| Year ended 31 December 2023 | Property management RMB'000 | Hotel advisory and exhibition services RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Segment revenue** *(note 5)* | | | |
| Sales to external customers | 1,775,630 | 112 | 1,775,742 |
| Intersegment sales | – | – | – |
| Total segment revenue | 1,775,630 | 112 | 1,775,742 |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | – |
| Revenue | | | 1,775,742 |
| Segment results | 379,441 | (1,568) | 377,873 |
| *Reconciliation:* | | | |
| Interest income | | | 3,112 |
| Finance costs (other than interest on lease liabilities) | | | (17,303) |
| Fair value loss on a financial asset at fair value through profit or loss | | | (2,180) |
| Share of profits and losses of a joint venture | | | 180 |
| Share of profits and losses of associates | | | 519 |
| Corporate and other unallocated losses | | | (13,047) |
| Profit before tax | | | 349,154 |
| **Segment assets** | 992,302 | 13,109 | 1,005,411 |
| *Reconciliation:* | | | |
| Corporate and other unallocated assets | | | 41,760 |
| Total assets | | | 1,047,171 |
| **Segment liabilities** | 718,540 | 403 | 718,943 |
| *Reconciliation:* | | | |
| Corporate and other unallocated liabilities | | | 80,233 |
| Total liabilities | | | 799,176 |
| **Other segment information** | | | |
| Impairment losses recognised in the statement of profit or loss, net | 23,159 | (174) | 22,985 |
| Depreciation and amortisation | 15,780 | 115 | 15,895 |
| Capital expenditure* | 18,668 | – | 18,668 |

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

## 4. OPERATING SEGMENT INFORMATION (continued)

| Year ended 31 December 2022 | Property management RMB'000 | Hotel advisory and exhibition services RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Segment revenue** *(note 5)* | | | |
| Sales to external customers | 1,586,027 | 13,029 | 1,599,056 |
| Intersegment sales | 1,140 | – | 1,140 |
| Total segment revenue | 1,587,167 | 13,029 | 1,600,196 |
| *Reconciliation:* | | | |
| Elimination of intersegment sales | | | (1,140) |
| Revenue | | | 1,599,056 |
| **Segment results** | 284,247 | 17 | 284,264 |
| *Reconciliation:* | | | |
| Interest income | | | 3,171 |
| Finance costs (other than interest on lease liabilities) | | | (12,427) |
| Fair value loss on a financial asset at fair value through profit or loss | | | (3,591) |
| Share of profits and losses of a joint venture | | | (118) |
| Share of profits and losses of an associate | | | 165 |
| Corporate and other unallocated gains | | | 17,400 |
| Profit before tax | | | 288,864 |
| **Segment assets** | 919,722 | 34,342 | 954,064 |
| *Reconciliation:* | | | |
| Elimination of intersegment receivables | | | (1,123) |
| Corporate and other unallocated assets | | | 36,681 |
| Total assets | | | 989,622 |
| **Segment liabilities** | 546,603 | 9,367 | 555,970 |
| *Reconciliation:* | | | |
| Elimination of intersegment payables | | | (1,123) |
| Corporate and other unallocated liabilities | | | 428,693 |
| Total liabilities | | | 983,540 |
| **Other segment information** | | | |
| Impairment losses recognised in the statement of profit or loss, net | 21,852 | 153 | 22,005 |
| Depreciation and amortisation | 15,100 | 125 | 15,225 |
| Capital expenditure* | 27,514 | – | 27,514 |

* Capital expenditure consists of additions to property, plant and equipment, right-of-use assets and intangible assets.

## 4. OPERATING SEGMENT INFORMATION (continued)

**Geographical information**

***(a) Revenue from external customers***

The Group's revenue from external customers is derived solely from its operation in Chinese Mainland.

***(b) Non-current assets***

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Chinese Mainland | **63,908** | 59,488 |
| Hong Kong | **542** | 772 |
| Total non-current assets | **64,450** | 60,260 |

The non-current asset information above is based on the locations of the assets and excludes a financial asset at fair value through profit or loss and deferred tax assets.

**Information about a major customer**

During the year, revenue from Zhuhai Huafa and the fellow subsidiaries ("Zhuhai Huafa Group") accounted for 38% (2022: 35%) of the Group's total revenue. Other than the revenue from Zhuhai Huafa Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the year.

## 5. REVENUE

An analysis of revenue is as follows:

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue from contracts with customers | **1,775,742** | 1,599,056 |

## 5. REVENUE (continued)

**Revenue from contracts with customers**

*(a) Disaggregated revenue information*

**For the year ended 31 December 2023**

| Segments | Property management RMB'000 | Hotel advisory and exhibition services RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Types of goods or services** | | | |
| Property management services | 1,273,207 | – | 1,273,207 |
| Value-added services for property owners | 159,972 | – | 159,972 |
| Other value-added services | 342,451 | – | 342,451 |
| Hotel advisory and exhibition services | – | 112 | 112 |
| Total | 1,775,630 | 112 | 1,775,742 |
| **Geographical market** | | | |
| Chinese Mainland | 1,775,630 | 112 | 1,775,742 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | 71,338 | 18 | 71,356 |
| Services transferred over time | 1,704,292 | 94 | 1,704,386 |
| Total | 1,775,630 | 112 | 1,775,742 |

For the year ended 31 December 2022

| Segments | Property management RMB'000 | Hotel advisory and exhibition services RMB'000 | Total RMB'000 |
|---|---|---|---|
| Property management services | 1,049,530 | – | 1,049,530 |
| Value-added services for property owners | 171,716 | – | 171,716 |
| Other value-added services | 364,781 | – | 364,781 |
| Hotel advisory and exhibition services | – | 13,029 | 13,029 |
| Total | 1,586,027 | 13,029 | 1,599,056 |
| **Geographical market** | | | |
| Chinese Mainland | 1,586,027 | 13,029 | 1,599,056 |
| **Timing of revenue recognition** | | | |
| Goods transferred at a point in time | 142,314 | 9,846 | 152,160 |
| Services transferred over time | 1,443,713 | 3,183 | 1,446,896 |
| Total | 1,586,027 | 13,029 | 1,599,056 |

## 5. REVENUE (continued)

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

***(a) Disaggregated revenue information (continued)***

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

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the reporting period: | | |
| Property management services | **59,400** | 58,292 |
| Other value-added services | **8,410** | 982 |
| Hotel advisory and exhibition services | **–** | 30 |
| Total | **67,810** | 59,304 |

For details of contract liabilities as at the end of the reporting period please refer to note 23(a).

***(b) Performance obligations***

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

*Property management services*

The Group recognises revenue in the amount that equals the right to invoice which corresponds directly with the value to the customer of the Group's performance to date on a monthly or quarterly basis and payment is generally due from 30 to 180 days from the billing date. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts. The majority of the property management services do not have a fixed term.

*Value-added services for property owners*

The services except for sale of goods are rendered in a short period of time which is generally less than a year and there were no unsatisfied or partially unsatisfied performance obligations at the end of each of the reporting period. Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer. There were no unsatisfied or partially unsatisfied performance obligations at the end of each of the reporting period.

## 5. REVENUE (continued)

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

***(b) Performance obligations (continued)***

*Other value-added services*

Other value-added services, except for food and beverage services, are rendered in a short period of time and there were no unsatisfied or partially unsatisfied performance obligations at the end of the reporting periods. Revenue from food and beverage services is recognised at a point in time when control of the goods is transferred to the customer. The Group has elected the practical expedient for not disclosing the remaining performance obligations for these types of contracts.

*Hotel advisory and exhibition services*

For hotel advisory services, revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation, as the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these service contracts, of which the contract period is generally less than one year. For exhibition services, revenue is recognised at a point in time when control of the exhibition service is transferred to the customer. There were no unsatisfied or partially unsatisfied performance obligations at the end of each of the reporting period.

## 6. OTHER INCOME AND OTHER (LOSSES)/GAINS, NET

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Additional value-added tax credit | **2,157** | 3,710 |
| Fair value loss on a financial asset at fair value through profit or loss | **(2,180)** | (3,591) |
| Government grants | **7,851** | 5,427 |
| Loss on disposal of property, plant and equipment | **(63)** | (116) |
| Foreign exchange (loss)/gain, net | **(9,460)** | 22,419 |
| Others | **(42)** | 1,711 |
| Total other income and other (losses)/gains, net | **(1,737)** | 29,560 |

## 7. PROFIT BEFORE TAX

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

| | Notes | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| Cost of inventories sold | | **54,262** | 129,759 |
| Cost of services provided* | | **1,243,569** | 1,073,502 |
| Depreciation of property, plant and equipment | 14 | **8,766** | 7,523 |
| Depreciation of right-of-use assets | 15(a) | **5,800** | 6,458 |
| Amortisation of intangible assets | 16 | **1,568** | 1,480 |
| Research and development cost: | | | |
| Current year expenditure | | **3,463** | 5,983 |
| Lease payments not included in the measurement of lease liabilities | 15(c) | **3,668** | 3,064 |
| Auditor's remuneration | | **1,887** | 2,000 |
| Employee benefit expense (excluding directors' and chief executive's remuneration): | | | |
| Wages and salaries | | **678,515** | 658,481 |
| Pension scheme contributions | | **63,795** | 59,937 |
| Total | | **742,310** | 718,418 |
| Foreign exchange differences, net | | **9,460** | (22,419) |
| Impairment of financial assets, net: | | | |
| Impairment of trade receivables | 19 | **23,102** | 21,968 |
| Impairment of financial assets included in prepayments, other receivables and other assets, net | 20 | **(117)** | 37 |
| Total | | **22,985** | 22,005 |
| Fair value loss on a financial asset at fair value through profit or loss | 6 | **2,180** | 3,591 |
| Bank interest income | 8 | **(3,112)** | (3,171) |
| Loss on disposal of items of property, plant and equipment | 6 | **63** | 116 |

* Cost of services provided for the year included an aggregate amount of RMB701,450,000 (2022: RMB670,326,000) which comprised items including employee benefit expense, depreciation of property, plant and equipment, amortisation of intangible assets and rental expense. These items were also included in the respective expense items disclosed above.

** There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

## 8. FINANCE COSTS, NET

An analysis of finance costs is as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Finance expenses: | | |
| Interest on bank borrowings | **16,979** | 12,299 |
| Interest on lease liabilities | **372** | 571 |
| Others | **324** | 128 |
| Subtotal | **17,675** | 12,998 |
| Finance income: | | |
| Interest income from bank deposits | **(3,112)** | (3,171) |
| Finance costs, net | **14,563** | 9,827 |

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Fees | **597** | 773 |
| Other emoluments: | | |
| Salaries, allowances and benefits in kind | **–** | – |
| Performance related bonuses | **–** | – |
| Equity-settled share option expense | **–** | – |
| Pension scheme contributions | **–** | – |
| Subtotal | **–** | – |
| Total | **597** | 773 |

There were no other emoluments payable to the directors and chief executive during the year (2022: Nil).

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

### (a) Independent non-executive directors

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Dr. Chen Jieping | 135 | 119 |
| Mr. Pu Yonghao | 135 | 119 |
| Mr. Guo Shihai | 135 | 119 |
| Total | 405 | 357 |

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Executive director and chief executive: | | |
| Mr. Zhou Wenbin | 45 | 104 |
| Executive directors: | | |
| Mr. Li Guangning | 45 | 104 |
| Mr. Xie Wei | 45 | 104 |
| Mr. Xie Hui *(note (i))* | 33 | 56 |
| Mr. Dai Geying *(note (ii))* | 12 | – |
| Ms. Luo Bin *(note (iii))* | 12 | – |
| Mr. Gu Yuanping | – | – |
| Mr. Liang Liang *(note (iv))* | – | 48 |
| Subtotal | 147 | 312 |
| Non-executive director: | | |
| Mr. Zou Chaoyong *(note (v))* | – | – |
| Ms. Zhou Youfen *(note (vi))* | – | – |
| Subtotal | – | – |
| Total | 192 | 416 |

For the year ended 31 December 2023, all the executive directors waived fees with an aggregate amount of RMB315,000 (2022: Nil). Other than this, there was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration for the years ended 31 December 2023 and 2022.

## 9. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (continued)

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

*Notes:*

(i) Mr. Xie Hui resigned with effect from 20 April 2023.

(ii) Mr. Dai Geying was appointed with effect from 20 April 2023.

(iii) Ms. Luo Bin was appointed with effect from 20 April 2023.

(iv) Mr. Liang Liang resigned with effect from 17 June 2022.

(v) Mr. Zou Chaoyong resigned with effect from 20 April 2023.

(vi) Ms. Zhou Youfen resigned with effect from 18 November 2022.

## 10. FIVE HIGHEST PAID EMPLOYEES

Out of the five employees with the highest emoluments in the Group, none of them (2022: None) was a director or chief executive of the Company whose emolument is included in note 9(b) above. Details of the remuneration for the year of the five highest paid employees who are neither a director nor chief executive of the Company are as follows:

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Salaries, commissions and other allowances | **7,051** | 7,394 |
| Pension scheme contributions | **710** | 740 |
| Total | **7,761** | 8,134 |

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

| | **Number of employees** | |
|---|---|---|
| | **2023** | 2022 |
| HKD1,000,001 – HKD2,000,000 | **4** | 4 |
| HKD2,000,001 – HKD3,000,000 | **1** | 1 |
| Total | **5** | 5 |

## 11. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of Bermuda, the entities of the Group which were incorporated in Bermuda are not subject to any income tax.

**Hong Kong profits tax**

The statutory rate of Hong Kong profits tax was 16.5% (2022: 16.5%) on the estimated assessable profits arising in Hong Kong.

## 11. INCOME TAX (continued)

**PRC corporate income tax ("CIT")**

Except for certain of the Group's PRC subsidiaries enjoyed preferential CIT rates of 20% and 15%, the income tax provision of the Group in respect of its operations in Chinese Mainland was calculated at the tax rate of 25% (2022: 25%) on the assessable profits for the reporting period, if applicable, based on the existing legislation, interpretation and practices in respect thereof.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current tax | | |
| Charge for the year | **123,809** | 71,370 |
| Overprovision in prior years | **(1,543)** | (736) |
| Deferred *(note 25)* | **(23,373)** | 23,758 |
| Total | **98,893** | 94,392 |

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate for the jurisdiction where the operations of the Group are substantially based to the tax expense at the effective tax rate is as follows:

| | **2023** | | 2022 | |
|---|---|---|---|---|
| | **RMB'000** | **%** | RMB'000 | % |
| Profit before tax | **349,154** | | 288,864 | |
| Tax at the statutory tax rate | **87,288** | **25.0** | 72,216 | 25.0 |
| Lower tax rates for specific provinces or enacted by local authority | **7,577** | **2.2** | (253) | (0.1) |
| Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries | **4,340** | **1.2** | 22,891 | 8.0 |
| Adjustments in respect of current tax of previous periods | **(1,543)** | **(0.4)** | (736) | (0.3) |
| Tax losses utilised from previous periods | **(314)** | **(0.1)** | – | – |
| Tax losses not recognised | **1,489** | **0.4** | 63 | – |
| Profits and losses attributable to a joint venture and associates | **(174)** | **(0.1)** | (12) | – |
| Income not subject to tax | **(336)** | **(0.1)** | (434) | (0.2) |
| Expenses not deductible for tax | **566** | **0.2** | 657 | 0.3 |
| Tax charge at the Group's effective rate | **98,893** | **28.3** | 94,392 | 32.7 |

The share of tax attributable to a joint venture and associates amounting to RMB44,000 (2022: RMB3,000) is included in "Share of profits and losses of a joint venture and associates" in the consolidated statement of profit or loss.

## 12. DIVIDEND

No dividend has been paid or declared by the Company for the years ended 31 December 2023 and 2022.

## 13. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 10,060,920,000 (2022: 10,060,920,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2023 and 2022.

The calculation of basic earnings per share is based on:

| | **2023** | 2022 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent (RMB'000) | **249,184** | 193,410 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year (in thousand) | **10,060,920** | 10,060,920 |
| Basic earnings per share (RMB cents per share) | **2.48** | 1.92 |

## 14. PROPERTY, PLANT AND EQUIPMENT

| | Leasehold improvements RMB'000 | Office equipment RMB'000 | Furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2023** | | | | | | |
| At 1 January 2023 | | | | | | |
| Cost | 3,923 | 11,400 | 23,425 | 33,852 | 6,222 | 78,822 |
| Accumulated depreciation | (990) | (7,083) | (14,167) | (25,066) | – | (47,306) |
| Net carrying amount | 2,933 | 4,317 | 9,258 | 8,786 | 6,222 | 31,516 |
| At 1 January 2023, net of accumulated depreciation | 2,933 | 4,317 | 9,258 | 8,786 | 6,222 | 31,516 |
| Additions | 738 | 3,850 | 4,687 | 964 | 3,914 | 14,153 |
| Disposals | (4) | (107) | (493) | (149) | – | (753) |
| Depreciation provided during the year | (1,175) | (2,254) | (2,009) | (3,328) | – | (8,766) |
| Transfers | 2,928 | – | – | – | (2,928) | – |
| Exchange realignment | 8 | – | 2 | – | – | 10 |
| At 31 December 2023, net of accumulated depreciation | 5,428 | 5,806 | 11,445 | 6,273 | 7,208 | 36,160 |
| At 31 December 2023 | | | | | | |
| Cost | 7,596 | 14,705 | 26,969 | 33,556 | 7,208 | 90,034 |
| Accumulated depreciation | (2,168) | (8,899) | (15,524) | (27,283) | – | (53,874) |
| Net carrying amount | 5,428 | 5,806 | 11,445 | 6,273 | 7,208 | 36,160 |

| | Leasehold improvements RMB'000 | Office equipment RMB'000 | Furniture and fixtures RMB'000 | Motor vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **31 December 2022** | | | | | | |
| At 1 January 2022 | | | | | | |
| Cost | 1,986 | 11,819 | 16,537 | 33,722 | – | 64,064 |
| Accumulated depreciation | (939) | (8,661) | (10,930) | (21,487) | – | (42,017) |
| Net carrying amount | 1,047 | 3,158 | 5,607 | 12,235 | – | 22,047 |
| At 1 January 2022, net of accumulated depreciation | 1,047 | 3,158 | 5,607 | 12,235 | – | 22,047 |
| Additions | 1,459 | 2,977 | 5,281 | 571 | 6,856 | 17,144 |
| Disposals | – | (88) | (70) | (72) | – | (230) |
| Depreciation provided during the year | (261) | (1,736) | (1,578) | (3,948) | – | (7,523) |
| Transfers | 634 | – | – | – | (634) | – |
| Exchange realignment | 54 | 6 | 18 | – | – | 78 |
| At 31 December 2022, net of accumulated depreciation | 2,933 | 4,317 | 9,258 | 8,786 | 6,222 | 31,516 |
| At 31 December 2022 | | | | | | |
| Cost | 3,923 | 11,400 | 23,425 | 33,852 | 6,222 | 78,822 |
| Accumulated depreciation | (990) | (7,083) | (14,167) | (25,066) | – | (47,306) |
| Net carrying amount | 2,933 | 4,317 | 9,258 | 8,786 | 6,222 | 31,516 |

## 15. LEASES

**The Group as a lessee**

The Group has lease contracts for various items of office premises and office equipment used in its operations. Leases of office premises generally have lease terms between 1 and 5 years, while office equipment generally have lease terms between 1 and 3 years.

*(a)* ***Right-of-use assets***

The carrying amounts of the Group's right-of-use assets and the movements during the year are as follows:

| | **Office premises** RMB'000 | **Office equipment** RMB'000 | **Total** RMB'000 |
|---|---|---|---|
| As at 1 January 2022 | 17,502 | 910 | 18,412 |
| Additions | 3,346 | 5,845 | 9,191 |
| Depreciation charge | (3,596) | (2,862) | (6,458) |
| As at 31 December 2022 and 1 January 2023 | 17,252 | 3,893 | 21,145 |
| Additions | 1,034 | 901 | 1,935 |
| Depreciation charge | (2,997) | (2,803) | (5,800) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | (991) | – | (991) |
| As at 31 December 2023 | 14,298 | 1,991 | 16,289 |

## 15. LEASES (continued)

**The Group as a lessee (continued)**

***(b) Lease liabilities***

The carrying amount of lease liabilities and the movements during the year are as follows:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Carrying amount at 1 January | **10,098** | 4,890 |
| New leases | **1,935** | 9,191 |
| Accretion of interest recognised during the year | **372** | 571 |
| Payments | **(4,793)** | (4,554) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | **(1,162)** | – |
| Carrying amount at 31 December | **6,450** | 10,098 |
| Analysed into: | | |
| Current portion | **3,746** | 4,640 |
| Non-current portion | **2,704** | 5,458 |

The maturity analysis of lease liabilities is disclosed in note 33 to the financial statements.

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

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Interest on lease liabilities | **372** | 571 |
| Depreciation charge of right-of-use assets | **5,800** | 6,458 |
| Expense relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses) | **2,881** | 2,346 |
| Variable lease payments not included in the measurement of lease liabilities (included in administrative expenses) | **787** | 718 |
| Total amount recognised in profit or loss | **9,840** | 10,093 |

*(d)* The total cash outflows for leases are disclosed in note 28 to the financial statements.

## 16. INTANGIBLE ASSETS

| | Goodwill RMB'000 | Computer software RMB'000 | Customer relationship RMB'000 | Deferred development costs RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2023** | | | | | |
| Cost at 1 January 2023, net of accumulated amortisation | 2,025 | 4,406 | 1,168 | – | 7,599 |
| Additions | – | 483 | – | 2,097 | 2,580 |
| Amortisation provided during the year | – | (629) | (939) | – | (1,568) |
| At 31 December 2023 | 2,025 | 4,260 | 229 | 2,097 | 8,611 |
| At 31 December 2023: | | | | | |
| Cost | 2,025 | 6,389 | 2,580 | 2,097 | 13,091 |
| Accumulated amortisation | – | (2,129) | (2,351) | – | (4,480) |
| Net carrying amount | 2,025 | 4,260 | 229 | 2,097 | 8,611 |
| **31 December 2022** | | | | | |
| Cost at 1 January 2022, net of accumulated amortisation | 2,025 | 3,768 | 2,107 | – | 7,900 |
| Additions | – | 1,179 | – | – | 1,179 |
| Amortisation provided during the year | – | (541) | (939) | – | (1,480) |
| At 31 December 2022 | 2,025 | 4,406 | 1,168 | – | 7,599 |
| At 31 December 2022: | | | | | |
| Cost | 2,025 | 5,906 | 2,580 | – | 10,511 |
| Accumulated amortisation | – | (1,500) | (1,412) | – | (2,912) |
| Net carrying amount | 2,025 | 4,406 | 1,168 | – | 7,599 |

## 17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Listed equity investment in Hong Kong, at fair value | **4,434** | 6,532 |

The balance represented fair value of the Group's 2.25% equity interest in Hong Kong Johnson Holdings Company Limited ("Hong Kong Johnson") and was denominated in HKD.

## 18. INVENTORIES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Consumables and spare parts | **7,939** | 8,836 |
| Contract costs | **7,049** | – |
| Total | **14,988** | 8,836 |

## 19. TRADE RECEIVABLES

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Related parties | **193,793** | 146,437 |
| Third parties | **405,792** | 319,724 |
| | **599,585** | 466,161 |
| Impairment | **(89,526)** | (67,864) |
| Net carrying amount | **510,059** | 398,297 |

For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. For trade receivables from other value added services, the Group's trading terms with its customers are mainly on credit and the credit period is generally from 30 to 90 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. The Group's concentration of credit risk of trade receivables is disclosed in note 33 to the financial statements. Trade receivables are non-interest-bearing.

## 19. TRADE RECEIVABLES (continued)

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within 1 year | 425,252 | 331,679 |
| 1 to 2 years | 60,051 | 51,531 |
| 2 to 3 years | 19,832 | 9,917 |
| 3 to 4 years | 3,336 | 5,170 |
| More than 4 years | 1,588 | – |
| Total | 510,059 | 398,297 |

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

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| At beginning of year | 67,864 | 45,896 |
| Impairment losses | 23,102 | 21,968 |
| Amount written off as uncollectible | (1,440) | – |
| At end of year | 89,526 | 67,864 |

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

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

**As at 31 December 2023**

| | Third parties | | | | | Related parties | Government departments | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | Over 4 years | | | Total |
| Expected credit loss rate | 9.95% | 33.56% | 57.47% | 76.29% | 95.03% | 0.50% | 0.30% | 14.93% |
| Gross carrying amount (RMB'000) | 216,426 | 49,395 | 25,586 | 12,890 | 27,018 | 193,793 | 74,477 | 599,585 |
| Expected credit losses (RMB'000) | (21,543) | (16,575) | (14,705) | (9,834) | (25,676) | (969) | (224) | (89,526) |

## 19. TRADE RECEIVABLES (continued)

As at 31 December 2022

| | Third parties | | | | | Related parties | Government departments | |
|---|---|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | 3 to 4 years | Over 4 years | | | Total |
| Expected credit loss rate | 9.65% | 35.37% | 45.06% | 57.00% | 100.00% | 1.79% | 0.06% | 14.56% |
| Gross carrying amount (RMB'000) | 171,227 | 45,248 | 16,031 | 9,765 | 19,895 | 146,437 | 57,558 | 466,161 |
| Expected credit losses (RMB'000) | (16,520) | (16,004) | (7,223) | (5,566) | (19,895) | (2,621) | (35) | (67,864) |

## 20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| Prepayments | **13,769** | 12,269 |
| Deposits and other receivables | **26,608** | 19,117 |
| | **40,377** | 31,386 |
| Impairment allowance | **(457)** | (574) |
| Total | **39,920** | 30,812 |

The above balances are unsecured, interest-free and repayable on demand. Further details of prepayments, other receivables and other assets with related parties are included in note 30 to the financial statements.

For the financial assets included in the above balances, the Group has assessed that the credit risk of these receivables has not increased significantly since initial recognition. At the end of each reporting period, these receivables are categorised in stage 1 and 12-month expected losses are calculated. During the year ended 31 December 2023, the Group applied the ECL rates of 0.40% to 2.20% (2022: 0.84% to 1.22%), which were calculated by considering the default rates and adjusting for forward-looking macroeconomic data, to amounts due from related parties and other receivables.

The movements in the loss allowance for impairment of prepayments, other receivables and other assets are as follows:

| | **2023 RMB'000** | 2022 RMB'000 |
|---|---|---|
| At beginning of year | **574** | 537 |
| Impairment losses, net | **(117)** | 37 |
| At end of year | **457** | 574 |

## 21. CASH AND CASH EQUIVALENTS

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Cash and bank balances | **388,513** | 460,084 |
| Less: Restricted bank balances | **(6,068)** | (5,627) |
| Cash and cash equivalents | **382,445** | 454,457 |

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB379,340,000 (2022: RMB454,603,000). The RMB is not freely convertible into other currencies, however, under Chinese Mainland's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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

The restricted bank deposits as at 31 December 2023 mainly comprised of cash deposits in the banks as security for issuance of performance bonds.

## 22. TRADE PAYABLES

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

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| Up to 90 days | **117,625** | 117,399 |
| 91 to 180 days | **24,872** | 9,991 |
| More than 181 days | **35,459** | 12,843 |
| Total | **177,956** | 140,233 |

Included in the trade payables are payables of RMB8,276,000 (2022: RMB13,621,000) due to related parties which are repayable within 90 days. Further details of trade payables due to related parties are included in note 30 to the financial statements.

The trade payables are non-interest-bearing and are normally settled on 60-day terms.

## 23. OTHER PAYABLES AND ACCRUALS

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Contract liabilities *(note (a))* | **108,263** | 78,733 |
| Deposits paid by property owners | **98,314** | 72,074 |
| Accrued payroll | **67,893** | 119,094 |
| Other tax payables | **12,489** | 11,418 |
| An amount due to a related party *(note 30(b))* | **–** | 433 |
| Other payables | **108,930** | 123,673 |
| | **395,889** | 405,425 |
| Less: Non-current portion of other payables | **(1,691)** | (1,940) |
| Current portion | **394,198** | 403,485 |

Other payables were unsecured, non-interest-bearing and repayable on demand as at 31 December 2023 and 2022. Further details of other payables and accruals due to related parties are included in note 30 to the financial statements.

*Note:*

(a) Details of contract liabilities are as follows:

| | 31 December 2023<br>RMB'000 | 31 December 2022<br>RMB'000 | 1 January 2022<br>RMB'000 |
|---|---|---|---|
| Property management services | **97,690** | 70,323 | 58,292 |
| Other value-added services | **10,573** | 8,410 | 982 |
| Hotel advisory and exhibition services | **–** | – | 30 |
| Contract liabilities | **108,263** | 78,733 | 59,304 |

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

## 24. INTEREST-BEARING BANK BORROWINGS

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Current | | |
| Bank loans – unsecured | **175,560** | 381,355 |

(a) Bank borrowings bear interest at an effective interest rate from 3.25% to 7.44% per annum (2022: from 1.63% to 7.02% per annum).

(b) The carrying amounts of the Group's bank borrowings were denominated in HKD and RMB and the fair values of bank borrowings approximate their carrying amounts.

(c) As at 31 December 2023 and 2022, there were no pledged assets and guarantees executed by the Group.

## 25. DEFERRED TAX

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

**Deferred tax liabilities**

| | **Right-of-use assets** | **Withholding tax** | **Others** | **Total** |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2022 | 319 | – | 527 | 846 |
| Deferred tax charged/(credited) to the statement of profit or loss during the year *(note 11)* | 1,676 | 22,891 | (235) | 24,332 |
| At 31 December 2022 and 1 January 2023 | 1,995 | 22,891 | 292 | 25,178 |
| Deferred tax (credited)/charged to the statement of profit or loss during the year *(note 11)* | (959) | (21,441) | (235) | (22,635) |
| At 31 December 2023 | 1,036 | 1,450 | 57 | 2,543 |

## 25. DEFERRED TAX (continued)

**Deferred tax assets**

| | **Lease liabilities** RMB'000 | **Expected credit losses on receivables** RMB'000 | **Accrued expenses** RMB'000 | **Total** RMB'000 |
|---|---|---|---|---|
| At 1 January 2022 | 326 | 11,608 | 12,597 | 24,531 |
| Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 11)* | 2,199 | 5,501 | (7,126) | 574 |
| At 31 December 2022 and 1 January 2023 | 2,525 | 17,109 | 5,471 | 25,105 |
| Deferred tax (charged)/credited to the statement of profit or loss during the year *(note 11)* | (912) | 5,387 | (3,737) | 738 |
| At 31 December 2023 | 1,613 | 22,496 | 1,734 | 25,843 |

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

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | **24,807** | 23,110 |
| Net deferred tax liabilities recognised in the consolidated statement of financial position | **(1,507)** | (23,183) |

The Group has tax losses arising in Chinese Mainland of RMB18,490,000 (2022: RMB13,790,000) that will expire in one to five years for offsetting against future taxable profits. Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

The Group is liable for withholding taxes on dividends distributed by those subsidiaries established in Chinese Mainland in respect of earnings generated from 1 January 2008. The applicable rate is 5% for the Group.

No deferred tax has been recognised for withholding tax that would be payable on the unremitted earnings of RMB260,967,000 (2022: RMB: Nil) that of subject to withholding taxes of the Group's subsidiaries established in Chinese Mainland. In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future.

## 26. SHARE CAPITAL

**Shares**

| | **2023** | 2022 |
|---|---|---|
| Authorised: | | |
| 12,000,000,000 ordinary shares of HKD0.00025 each | **HKD3,000,000** | HKD3,000,000 |
| Issued and fully paid: | | |
| 10,060,920,000 (2022: 10,060,920,000) ordinary shares of HKD0.00025 each | **HKD2,515,000** | HKD2,515,000 |
| Equivalent to | **RMB2,200,000** | RMB2,200,000 |

## 27. RESERVES

The amounts of the Group's reserves and the movements therein for the year are presented in the consolidated statement of changes in equity on page 64 of the financial statements.

**(a) Share premium**

The share premium of the Group represents the capital contribution premium from its then shareholders.

**(b) Special reserve**

Special reserve represents the difference between (i) the aggregate amount of the share capital and share premium of the subsidiaries acquired and (ii) the nominal value of the shares issued by the Company for the acquisition pursuant to the group reorganisation which was to rationalise the structure of the Group in preparation for the public listing of the Company's shares on The Stock Exchange of Hong Kong Limited in June 2008.

**(c) Statutory reserve**

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

**(d) Other reserve**

The other reserve represented (i) the difference between the consideration received from a partial disposal of a subsidiary and the relevant share of the net assets disposal of the subsidiary, and (ii) the difference between the consideration paid for the acquisition of a non-controlling interest and the relevant share of the net assets of the non-controlling interest.

## 27. RESERVES (continued)

### (e) Merger reserve

The merger reserve represented the difference between the nominal value of Huafa Property HK and the cost of the acquisition under common control.

### (f) Exchange fluctuation reserve

The functional currency of the Company and Huafa Property HK is HKD. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their profit or loss are translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange fluctuation reserve.

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets and lease liabilities of RMB1,935,000 (2022: RMB9,191,000) and RMB1,935,000 (2022: RMB9,191,000), respectively, in respect of lease arrangements for office premises and office equipment.

### (b) Changes in liabilities arising from financing activities

**2023**

| | **Interest-bearing bank borrowings RMB'000** | **Lease liabilities RMB'000** | **Total RMB'000** |
|---|---|---|---|
| At 1 January 2023 | **381,355** | **10,098** | **391,453** |
| Changes from financing cash flows | **(228,303)** | **(4,793)** | **(233,096)** |
| New leases | **–** | **1,935** | **1,935** |
| Interest expense | **16,979** | **372** | **17,351** |
| Foreign exchange movement | **5,529** | **–** | **5,529** |
| Reassessment of lease terms | **–** | **(1,162)** | **(1,162)** |
| At 31 December 2023 | **175,560** | **6,450** | **182,010** |

2022

| | Interest-bearing bank borrowings RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2022 | 506,748 | 4,890 | 511,638 |
| Changes from financing cash flows | (178,713) | (4,554) | (183,267) |
| New leases | – | 9,191 | 9,191 |
| Interest expense | 12,299 | 571 | 12,870 |
| Foreign exchange movement | 41,021 | – | 41,021 |
| At 31 December 2022 | 381,355 | 10,098 | 391,453 |

## 28. NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (continued)

### (c) Total cash outflows for leases

The total cash outflows for leases included in the consolidated statement of cash flows are as follows:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Within operating activities | **3,668** | 2,144 |
| Within financing activities | **4,793** | 4,554 |
| Total | **8,461** | 6,698 |

## 29. COMMITMENTS

The Group had the following contractual commitments at the end of the reporting period:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Leasehold improvements | **2,273** | 2,089 |
| Software | **865** | 1,180 |
| Capital contributions | **1,200** | – |
| Total | **4,338** | 3,269 |

## 30. RELATED PARTY TRANSACTIONS

**(a)** In addition to the transactions detailed elsewhere in these financial statements, the Group had the following material transactions with related parties during the year:

| | 2023<br>RMB'000 | 2022<br>RMB'000 |
|---|---|---|
| Property management services and related value-added services income received from Zhuhai Huafa Group | **668,281** | 550,197 |
| Hotel advisory and exhibition services income received from Zhuhai Huafa Group | **112** | 10,855 |
| Recharge of administrative expenses to Hong Kong Huafa Investment Holdings Limited ("Huafa HK") | **787** | 718 |
| Rental expenses to Zhuhai Huafa Group | **2,570** | 2,124 |
| Purchase of goods and services from Zhuhai Huafa Group | **18,649** | 17,017 |
| Interest income from Zhuhai Huafa Group | **103** | 8 |

The prices for the above service fees and other transactions were determined in accordance with terms mutually agreed by the contract parties.

Certain of the above related party transactions also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

## 30. RELATED PARTY TRANSACTIONS (continued)

**(b)** Outstanding balances with related parties:

| | **2023** **RMB'000** | 2022 RMB'000 |
|---|---|---|
| Balance included in cash and cash equivalents *(note (i))* | | |
| – Zhuhai Huafa Group | **40,025** | – |
| Balances included in trade receivables | | |
| – Zhuhai Huafa Group | **200,413** | 146,437 |
| Balances included in other receivables, deposits and prepayments | | |
| – Zhuhai Huafa Group | **4,637** | 4,728 |
| Balances included in trade payables | | |
| – Zhuhai Huafa Group | **8,276** | 13,621 |
| Balances included in other payables and accruals | | |
| – Zhuhai Huafa Group | **42,700** | 26,625 |
| – Huafa HK | **–** | 433 |
| Balances included in contract liabilities | | |
| – Zhuhai Huafa Group | **8,693** | 5,286 |

*Notes:*

(i) The balance represented deposits placed at a fellow subsidiary, which is a non-banking financial institution in the PRC. The balance due is unsecured, and the deposit interest rate provided was determined with reference to the interest rate provided by domestic commercial banks and financial institutions in the PRC for the deposits with the same or similar terms, types and amounts.

(ii) The above balances are unsecured, interest-free and generally payable from three to twelve months.

## 30. RELATED PARTY TRANSACTIONS (continued)

**(c)** Compensation of key management personnel of the Group:

| | 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|
| Salaries, allowances and benefits in kind | **7,648** | 8,167 |
| Pension scheme contributions | **710** | 740 |
| Total compensation paid to key management personnel | **8,358** | 8,907 |

Further details of directors' and the chief executive's emoluments are included in note 9 to the financial statements.

**(d) Transactions and balances with other state-owned enterprises in the PRC**

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the reporting period, the Group had transactions with other SOEs to provide property management services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and there are no differences in the pricing policies applicable to SOEs and other parties.

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

**2023**

**Financial assets**

| | Financial asset at fair value through profit or loss RMB'000 | Financial assets at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade receivables | – | 510,059 | 510,059 |
| Financial assets included in prepayments, other receivables and other assets | – | 26,151 | 26,151 |
| Financial asset at fair value through profit or loss | 4,434 | – | 4,434 |
| Restricted bank balances | – | 6,068 | 6,068 |
| Cash and cash equivalents | – | 382,445 | 382,445 |
| Total | 4,434 | 924,723 | 929,157 |

## 31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows: (continued)

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade payables | – | 177,956 | 177,956 |
| Financial liabilities included in other payables and accruals | 1,691 | 205,553 | 207,244 |
| Interest-bearing bank borrowings | – | 175,560 | 175,560 |
| Total | 1,691 | 559,069 | 560,760 |

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**Financial assets**

| | Financial asset at fair value through profit or loss RMB'000 | Financial assets at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade receivables | – | 398,297 | 398,297 |
| Financial assets included in prepayments, other receivables and other assets | – | 18,543 | 18,543 |
| Financial asset at fair value through profit or loss | 6,532 | – | 6,532 |
| Restricted bank balances | – | 5,627 | 5,627 |
| Cash and cash equivalents | – | 454,457 | 454,457 |
| Total | 6,532 | 876,924 | 883,456 |

**Financial liabilities**

| | Financial liabilities at fair value through profit or loss RMB'000 | Financial liabilities at amortised cost RMB'000 | Total RMB'000 |
|---|---|---|---|
| Trade payables | – | 140,233 | 140,233 |
| Financial liabilities included in other payables and accruals | 1,940 | 194,240 | 196,180 |
| Interest-bearing bank borrowings | – | 381,355 | 381,355 |
| Total | 1,940 | 715,828 | 717,768 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted bank balances, trade receivables, trade payables, financial assets included in prepayments, other receivables and other assets, financial liabilities included in other payables and accruals and interest-bearing bank borrowing approximate to their carrying amounts largely due to the short term maturities of these instruments.

Hong Kong Johnson is listed on the Main Board of the Stock Exchange of Hong Kong. The fair value of the financial asset at fair value through profit or loss traded in active market is based on quoted market price at the end of the reporting period. The quoted market price used for the listed equity investment held by the Group is the current bid price.

The fair value of the non-current portion of other payable has been estimated by discounting the expected future cash flows using the relevant weighted average return on capital.

### Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

***Asset measured at fair value:***

**As at 31 December 2023**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Financial asset at fair value through profit or loss | **4,434** | **–** | **–** | **4,434** |

As at 31 December 2022

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Financial asset at fair value through profit or loss | 6,532 | – | – | 6,532 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS (continued)

**Fair value hierarchy (continued)**

***Liabilities measured at fair value:***

**As at 31 December 2023**

| | **Fair value measurement using** | | | |
|---|---|---|---|---|
| | **Quoted prices in active markets (Level 1) RMB'000** | **Significant observable inputs (Level 2) RMB'000** | **Significant unobservable inputs (Level 3) RMB'000** | **Total RMB'000** |
| Other payable | **–** | **1,691** | **–** | **1,691** |

As at 31 December 2022

| | Fair value measurement using | | | |
|---|---|---|---|---|
| | Quoted prices in active markets (Level 1) RMB'000 | Significant observable inputs (Level 2) RMB'000 | Significant unobservable inputs (Level 3) RMB'000 | Total RMB'000 |
| Other payable | – | 1,940 | – | 1,940 |

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2022: Nil).

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial assets of the Group mainly include trade receivables, financial assets included in prepayments, deposits and other receivables, financial asset at fair value through profit or loss, restricted bank balances and cash and cash equivalents. The financial liabilities of the Group mainly include trade payables, financial liabilities included in other payables and accruals and interest-bearing bank borrowings.

The main risks arising from the Group's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

### Interest rate risk

The Group's exposure to interest rate risk relates primarily to the Group's borrowings. The interest rates and terms of repayment of the Group's borrowings are disclosed in note 24 to the financial statements. The Group's policy is to obtain the most favourable interest rates available for its borrowings.

The Group constantly assesses the interest rate risk it encounters to decide whether it is required to hedge against the possible interest rate risk that may arise.

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Group's profit before tax (through the impact on floating rate borrowings). There was no impact on the Group's other equity.

| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
|---|---|---|
| If 100 basis points decrease in interest rates: | | |
| Increase in profit before tax | **1,752** | 3,804 |
| If 100 basis points increase in interest rates: | | |
| Decrease in profit before tax | **(1,752)** | (3,804) |

### Foreign currency risk

The Group's businesses are located in Chinese Mainland and most of the transactions are conducted in RMB. The Group's assets and liabilities are principally denominated in RMB, while certain bank balances, certain other receivables, deposits and prepayments, certain other payables and accruals, and certain interest-bearing bank borrowings are denominated in foreign currencies. The Group has not hedged its foreign exchange risk.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Foreign currency risk (continued)

The following table demonstrates the sensitivity at the end of the reporting period to a reasonably possible change in the HKD and RMB exchange rate, with all other variables held constant, of the Group's profit before tax (due to changes in the fair values of monetary assets and liabilities) and the Group's equity (due to translation of foreign operations).

| | Increase/ (decrease) in exchange rate % | Increase/ (decrease) in profit before tax RMB'000 | Increase/ (decrease) in equity* RMB'000 |
|---|---|---|---|
| **2023** | | | |
| If the RMB weakens against the HKD | **5** | **(1,362)** | **14,445** |
| If the RMB strengthens against the HKD | **(5)** | **1,362** | **(14,445)** |
| 2022 | | | |
| If the RMB weakens against the HKD | 5 | (10,388) | 23,703 |
| If the RMB strengthens against the HKD | (5) | 10,388 | (23,703) |

* Excluding retained profits

### Credit risk

The Group is exposed to credit risk in relation to its trade receivables and other receivables, cash and cash equivalents and restricted bank balances.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted bank balances since they are substantially deposited at state-owned banks and other medium or large-sized listed banks. Management does not expect that there will be significant losses from non-performance of these counterparties.

The Group expects that the credit risk associated with trade receivables and other receivables due from related parties to be low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term. Information about the impairment provision recognised during the year is disclosed in notes 19 and 20 to the consolidated financial statements.

The Group trades with independent third parties and government departments. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk within the Group as the customer bases of the Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

**Maximum exposure and year-end staging (continued)**

**As at 31 December 2023**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 599,585 | 599,585 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 26,608 | – | – | – | 26,608 |
| Restricted bank balances | | | | | |
| – Not yet past due | 6,068 | – | – | – | 6,068 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 382,445 | – | – | – | 382,445 |
| Total | 415,121 | – | – | 599,585 | 1,014,706 |

As at 31 December 2022

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 466,161 | 466,161 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 19,117 | – | – | – | 19,117 |
| Restricted bank balances | | | | | |
| – Not yet past due | 5,627 | – | – | – | 5,627 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 454,457 | – | – | – | 454,457 |
| Total | 479,201 | – | – | 466,161 | 945,362 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 19 to the financial statements, respectively.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding through an adequate amount of available credit facilities. The Group continues to maintain a healthy net cash position by keeping credit lines available and to maintain flexibility in future funding.

The Group's primary cash requirements are payments for trade and other payables and operating expenses. The Group mainly finances its working capital requirements through internal resources.

The Group's policy is to regularly monitor current and expected liquidity requirements to ensure that it maintains sufficient cash balances and adequate credit facilities to meet its liquidity requirements in the short and long-term.

The maturity profile of the Group's financial liabilities and lease liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

| | **2023** | | | |
|---|---|---|---|---|
| | **Current or less than 12 months RMB'000** | **1 to 2 years RMB'000** | **2 to 5 years RMB'000** | **Total RMB'000** |
| Trade payables | **177,956** | **–** | **–** | **177,956** |
| Financial liabilities included in other payables and accruals | **207,244** | **–** | **–** | **207,244** |
| Interest-bearing bank borrowings | **179,819** | **–** | **–** | **179,819** |
| Lease liabilities | **5,233** | **702** | **814** | **6,749** |
| Total | **570,252** | **702** | **814** | **571,768** |

| | 2022 | | | |
|---|---|---|---|---|
| | Current or less than 12 months RMB'000 | 1 to 2 years RMB'000 | 2 to 5 years RMB'000 | Total RMB'000 |
| Trade and bills payables | 140,233 | – | – | 140,233 |
| Financial liabilities included in other payables and accruals | 195,747 | – | – | 195,747 |
| Interest-bearing bank borrowings | 428,070 | – | – | 428,070 |
| Lease liabilities | 4,910 | 3,002 | 2,637 | 10,549 |
| Total | 768,960 | 3,002 | 2,637 | 774,599 |

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

### Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

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

The Group monitors capital on the basis of the asset-liability ratio. This ratio is calculated as total liabilities divided by total assets.

| | **2023** | 2022 |
|---|---|---|
| | **RMB'000** | RMB'000 |
| Total liabilities | **799,176** | 983,540 |
| Total assets | **1,047,171** | 989,622 |
| Asset-liability ratio | **76%** | 99% |

## 34. EVENTS AFTER THE REPORTING PERIOD

The Group has no significant events after the reporting period up to the date of this report.

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | **31 December 2023 RMB'000** | 31 December 2022 RMB'000 |
|---|---|---|
| NON-CURRENT ASSETS | | |
| Property, plant and equipment | **541** | 770 |
| Investments in subsidiaries | **734,780** | 734,780 |
| Financial asset at fair value through profit or loss | **4,435** | 6,532 |
| Total non-current assets | **739,756** | 742,082 |
| CURRENT ASSETS | | |
| Prepayments, other receivables and other assets | **700** | 1,074 |
| Amounts due from subsidiaries | **1,306** | 450,396 |
| Cash and cash equivalents | **7,888** | 3,504 |
| Total current assets | **9,894** | 454,974 |
| CURRENT LIABILITIES | | |
| Other payables and accruals | **528** | 627 |
| An amount due to a related party | **–** | 282 |
| Amounts due to subsidiaries | **282,882** | 356,979 |
| Interest-bearing bank borrowings | **36,384** | 381,355 |
| Total current liabilities | **319,794** | 739,243 |
| NET CURRENT LIABILITIES | **(309,900)** | (284,269) |
| TOTAL ASSETS LESS CURRENT LIABILITIES | **429,856** | 457,813 |
| Net assets | **429,856** | 457,813 |
| EQUITY | | |
| Share capital | **2,200** | 2,200 |
| Other reserves *(note)* | **427,656** | 455,613 |
| Total equity | **429,856** | 457,813 |

## 35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (continued)

*Note:*

A summary of the Company's reserves is as follows:

| | Share premium RMB'000 | Contributed surplus* RMB'000 | Exchange fluctuation reserve RMB'000 | Retained profits RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| Balance at 1 January 2022 | 144,781 | 57,815 | 54,256 | (185,032) | 71,820 |
| Profit for the year | – | – | – | 429,763 | 429,763 |
| Other comprehensive loss for the year | – | – | (45,970) | – | (45,970) |
| Total comprehensive income for the year | – | – | (45,970) | 429,763 | 383,793 |
| At 31 December 2022 and 1 January 2023 | 144,781 | 57,815 | 8,286 | 244,731 | 455,613 |
| Loss for the year | – | – | – | (23,806) | (23,806) |
| Other comprehensive loss for the year: | – | – | (4,151) | – | (4,151) |
| Total comprehensive loss for the year | – | – | (4,151) | (23,806) | (27,957) |
| At 31 December 2023 | 144,781 | 57,815 | 4,135 | 220,925 | 427,656 |

* Contributed surplus of the Company represents the difference between the consolidated net assets of the subsidiaries at the date on which they were acquired by the Company and the nominal amount of the Company's shares issued for the acquisition at the time of the reorganisation.

## 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 28 February 2024.

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