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)

ANNUAL REPORT 2022

CONTENT

MILESTONES

APR 2022

The Company held an online results conference through webcast to communicate closely with investors about the Company's performance

OCT 2022

The Company was first included in the research report of Valuable Capital

JAN 2023

Zhuhai Huafa Properties Co., Ltd.（珠海華發實業股份有限公司）("Huafa Properties") officially became the indirect controlling shareholder of the Company

AWARDS AND HONORS

MAR 2022

The 29th among the Top 100 Companies in "2022 China Property Service Satisfaction Survey" and 1st in Property Service Satisfaction in Zhuhai for 2022 by Leju Financial Research Institute

JAN 2022

The Most Valuable Property Company in the 6th Golden Hong Kong Stocks Awards (第六屆金港股最具價值物業公司)

APR 2022

The 19th of "Comprehensive Strength of Property Services for 2022 in China" (2022中國物業服務綜合實力第19名), the "Excellent State-owned Property Service Enterprise for 2022 in China" (2022中國國有物業服務優秀企業) and "China's top 100 Leading Enterprises in terms of Property Service Satisfaction in 2022(2022中國物業服務百强滿意度領先企業)" by China Index Academy

DEC 2022

The 15th among the "2022 Property Service Brand Enterprises in Guangdong, Hong Kong and Macao Greater Bay Area" (2022粵港澳大灣區物業服務品牌企業) and 16th among "2022 Enterprise with Comprehensive Development Strength in Property Service in Guangdong" (2022廣東省物業服務綜合發展實力企業), the "2022 Outstanding Contribution Award in "Undertaking Social Responsibility – Helping Social Employment" for Guangdong Property Service Enterprises" (2022年廣東省物業服務企業「承擔社會責任·助力社會就業」突出貢獻獎), "Anti-epidemic Pioneer Enterprise in Guangdong Property Management Sector" (廣東省物業管理行業抗疫先鋒企業)

"2021 Best CEO of Listed Companies in Guangdong Property Management Sector" (2021廣東省物業管理行業最佳上市CEO) and "Best General Manager in Guangdong Property Management Sector" (2021廣東省物業管理行業最佳總經理)

The Most Valuable Listed Real Estate and Property Company by Zhitong Caijing (第七屆智通財經上市公司評選最具價值地產及物業公司)

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr. Zhou Wenbin *(Chairman and Chief Executive Officer)*
(appointed as Chairman with effect from 18 November 2022)
Mr. Li Guangning
(resigned as Chairman with effect from 18 November 2022)
Mr. Xie Wei
Mr. Xie Hui
(appointed with effect from 17 June 2022 and resigned with effect from 20 April 2023)
Mr. Dai Geying
(appointed with effect from 20 April 2023)
Ms. Luo Bin
(appointed with effect from 20 April 2023)
Mr. Tze Kan Fat
(resigned with effect from 16 March 2022)
Mr. Gu Yuanping
(appointed with effect from 16 March 2022)
Mr. Liang Liang
(resigned with effect from 17 June 2022)

Non-executive directors

Mr. Zou Chaoyong
(appointed with effect from 18 November 2022 and resigned with effect from 20 April 2023)
Ms. Zhou Youfen
(resigned with effect from 18 November 2022)

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. Liang Liang
(resigned with effect from 17 June 2022)
Mr. Zhou Dong
(appointed with effect from 17 June 2022 and resigned with effect from 20 April 2023)
Mr. Gu Yuanping
(appointed with effect from 20 April 2023)
Ms. Chan Sau Ling

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				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
RESULTS FROM CONTINUING OPERATIONS					
Revenue	**1,599,056**	1,283,491	943,796	843,761	631,080
Profit before income tax	**288,864**	217,414	125,172	104,537	87,614
Income tax expense	**(94,392)**	(61,148)	(42,336)	(33,707)	(22,072)
Profit from continuing operations	**194,472**	156,266	82,836	70,830	65,542

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(Restated)	(Restated)	(Restated)	(Restated)
ASSETS AND LIABILITIES					
Total assets	**989,622**	860,300	867,570	1,051,776	943,516
Total liabilities	**(983,540)**	(986,609)	(1,171,538)	(677,202)	(529,955)
Total equity/(deficit)	**6,082**	(126,309)	(303,968)	374,574	413,561

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 2022, Huafa Property Services Group Company Limited ("Huafa Property Services" or the "Company") and its subsidiaries (collectively, the "Group"):

The year of 2022 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 2022, 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 RMB1,599.1 million, an increase of about 24.6% compared with approximately RMB1,283.5 million for the full year of 2021. Profit for the year attributable to owners of the Company was approximately RMB193.4 million, an increase of about 24.1% compared with approximately RMB155.9 million for the full year of 2021.

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 19th of comprehensive strength of property service in 2022 China", "Excellent enterprise of state-owned property service in 2022 China", "the 16th of comprehensive development strength enterprise of property service in 2022 Guangdong Province", "Outstanding contribution award of property service enterprises in 2022 Guangdong Province for undertaking social responsibility and helping social employment" and "the 6th Golden Hong Kong Stock Most Valuable Property Company".

This year, we adopted the double driving of "organic growth + external expansion" 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 2022, we covered 42 major cities across the country, with a total of 302 projects under management, and a total contract area of 24.37 million square meters under management, representing an increase of 20.1% year-on-year. A total contract area was 51.82 million square meters, representing an increase of 34.1% 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 2.13, which also lays a good foundation for the subsequent realization of scale effect and value-added service upgrade for 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 2022, 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 Zhuhai Municipal Organ Compound, Zhuhai Water Supply Engineering Company Limited, Zhakou Customs, Qingmao Customs, Zhuhai Hi-tech Zone Science and Technology Industrial Park, Qianhai Life Guangzhou General Hospital and Shenzhen Happy Home Rehabilitation Hospital. These helped the Group to further enhance and consolidate its share of public construction properties, strengthen its competitiveness in the properties at gateway, opening a new chapter of the Group's property services in the hospital properties and industrial park.

This year, we went further as city service providers

As a professional operator of urban integrated services, the Company follows the national policy and development trend, and focuses on the field of urban services. The Company have established long-term partnerships with government agencies, enterprises and institutions, communities and villages, and industrial parks, providing a full chain of comprehensive urban management services such as sanitation and cleaning, landscaping, municipal maintenance, building intelligence, renewal and renovation of old neighborhoods, and new energy charging piles. Our Company continued to promote the modernization, refinement, intelligence and convenient management of cities and parks. At present, in the integrated city services, intelligent industrial park services, wastes classification and old district renovation, the Company has built a city service pattern with whole chain enhancement, all-round coverage and whole society participation, serving customers with craftsmanship and wisdom, and jointly promoting the green development of China in the new era.

This year, our value-added services won with "quality"

During the year, under the adverse impact of the pandemic, the Group adhered to the principle of quality services and continued to innovate its business model, as a result, the value-added services revenue from landlords achieved a remarkable year-on-year growth of 51.9%. Adhering to the overall value-added business strategy of "platform + ecology", the Group gradually formed a local convenience service system by integrating resources inside and outside the system through its own platform and the cooperation with quality suppliers. During the year, the Group took the community convenience service center in Zhuhai as a pilot, and added new business of car parking sales and charging pile operation. Through the establishment of a housing rental and self-employed sales team and the cooperation with quality suppliers, the Company aimed to serve project owners in the transaction and leasing of housing stock. Our new community retail, relies on the "Huawu Youxuan（華物優選）" platform, integrated high-quality supplier resources and provided over 3,800 products and services to homeowners nationwide. Combining various marketing models such as grouping, solitaire, live streaming and holiday packages, we achieved a 130.7% year-over-year improvement in revenue from our new community retail business.

This year, we, insisted on quality and service excellence, enhanced our brand influence

During 37 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 needs, meeting and exceeding customer expectations. We have renewed and upgraded the existing customer service system and released the new "5 Excellent Service System", which includes Craftsmanship Excellent Service, Life Excellent Service, Neighborhood Excellent Service, Smart Excellent Service, and Premium Excellent Service, to provide customers with quality service by focusing on the details and achieving steady improvement in customer satisfaction and brand influence. Huafa Property Services scored 87.7 points in the 2022 third-party customer satisfaction survey conducted by the China Index Academy. And it was awarded "2022 China's Top 100 Satisfaction – Leading Companies in Property Services" and "No. 15 Property Service Brand Enterprise in Guangdong, Hong Kong and Macao Greater Bay Area in 2022".

This year, we firmly led by "technology +" strategy to transform and upgrade to smart property

Led by the strategy of "Technology+", we have taken multiple measures to transform and upgrade our properties into smart properties. In 2022, by focusing on the six major areas o lean management, smart community, lifestyle services, diversified outreach, independent innovation and information security to carry out IT construction, the Group supported the Company's business development and innovative outreach, and enhanced corporate operational efficiency, service quality and customer experience. Insisting on the concept of creating a better life with technology, the Group has accelerated the travel efficiency of owners and users through smart pedestrian and parking lot renovation, and gave owners and users peace of mind through video security, significantly increasing the satisfaction and happiness of the owners. The Group achieved full lifecycle management of facilities and equipment, real-time monitoring, equipment IOT, real-time uploading, and automatic inspection, significantly reducing labor costs and improving management efficiency. The Group comprehensively promoted the construction of business systems to support diversified layout strategy for professional subsidiaries, realizing technology-enabled business development.

This year, we cared together and took up the role of state-owned enterprises

In 2022, on the basis of building a solid community pandemic defense line, the Group formed a vanguard team of nearly 10,000 party members to fully support the special work of nucleic acid testing, isolation sites and Zhuhai mobile cabin hospital. The Group also organized blood donation activities for the pioneer members who were eligible to donate blood, in order to feed the society. The Group was awarded the "2022 Outstanding Contribution Award for Property Service Enterprises in Guangdong Province for 'Taking Social Responsibility and Helping Social Employment'" and "Pioneer Enterprise of Guangdong Province Property Management Industry against Epidemics".

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 focuses 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, Huafa Properties formally become 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.

The year of 2023 is the opening year of implementing the spirit of the 20th Party Congress. The Group will actively implement the requirements of high-quality national development, grasp the culture and promote service bearing in mind the initial heart, expand business and emphasize management to adhere to high quality. With firm confidence, the working policy of "With Me, You Can Rest Assured", the two main themes of "service" and "development", the Group will implement the four measures of "culture coagulation, service warmth, management comfort and business satisfaction" while closely following the three general directions of "culture leading, quality helping and high-quality development", moving forward with courage and perseverance towards the company's goals and vision.

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, 29 March 2023

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 37 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 2022, the Group had a total contracted gross floor area ("GFA") of approximately 51.82 million sq.m. (the corresponding period of 2021: approximately 38.64 million sq.m.). The Group provided property management services and value-added services to 302 properties (the corresponding period of 2021: 267 properties), with an aggregated revenue-bearing GFA of approximately 24.37 million sq.m. (the corresponding period of 2021: approximately 20.29 million sq.m.).

We stayed 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 year, 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 "19th amongst the 2022 China Property Service in terms of Overall Strength (2022中國物業服務綜合實力第19名)", "2022 China State-owned Property Service Excellent Enterprise (2022中國國有物業服務優秀企業)", "2022 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China (2022中國物業服務百強滿意度領先企業)" and the "Most Valuable Property Management Company in the 6th Golden Hong Kong Stocks (第六屆金港股最具價值物業公司)".

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; (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 2022, the basic property services segment contributed approximately RMB1,049,530,000 of revenue to the Group (the corresponding period of 2021: approximately RMB823,435,000), representing a year-on-year increase of approximately 27.5% as compared with the year ended 31 December 2021.

OUR GEOGRAPHIC DISTRIBUTION

As of 31 December 2022, 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 2021: 40) 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					
	2022			2021		
	Revenue-bearing GFA ('000 sq.m.)	**Revenue (RMB'000)**	**%**	Revenue-bearing GFA ('000 sq.m.)	Revenue (RMB'000)	%
Greater Bay Area	**16,168**	**775,901**	**73.9%**	12,638	638,586	77.6%
Bohai Bay Area	**3,842**	**102,043**	**9.7%**	3,832	62,610	7.6%
Yangtze River Delta	**1,207**	**77,572**	**7.4%**	1,260	52,687	6.4%
Central China	**3,156**	**94,014**	**9.0%**	2,558	69,552	8.4%
Total	**24,373**	**1,049,530**	**100.0%**	20,288	823,435	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 public building management projects, including the Zhuhai Municipal Government Compound, the Zhuhai Water Supply Engineering Company Limited project, and the Yangjiang City section of China Mobile Guangdong's property management services, further consolidating its presence in the public building management sector. The official entry into the Customs and Excise Department and the Qingmao Customs Office and the winning of the tender for the Science and Technology Innovation Industrial Park in the Zhuhai High-Tech Zone opened a new chapter in the expansion of Huafa Property's services in the specialty customs and industrial park sectors.

As at 31 December 2022, the Group's revenue-bearing GFA increased by 20.1% on a year-on-year basis, including a 42.9% year-on-year increase in the revenue-bearing GFA of properties developed by independent property developers, and a 56.5% year-on-year increase in revenue from properties developed by independent property developers during the Reporting Period.

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					
	2022			2021		
	Revenue-bearing GFA ('000 sq.m.)	**Revenue (RMB'000)**	**%**	Revenue-bearing GFA ('000 sq.m.)	Revenue (RMB'000)	%
Properties developed by Zhuhai Huafa Group	**21,187**	**872,415**	**83.1%**	18,060	710,248	86.3%
Properties developed by independent property developers	**3,186**	**177,115**	**16.9%**	2,228	113,187	13.7%
Total	**24,373**	**1,049,530**	**100.0%**	20,288	823,435	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 2022, the revenue-bearing GFA of non-residential properties under management of the Group was approximately 5.5 million sq.m., representing an increase of approximately 38.6% compared with approximately 4.0 million sq.m. as at 31 December 2021.

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					
	2022			2021		
	Revenue-bearing GFA ('000 sq.m.)	**Revenue (RMB'000)**	**%**	Revenue-bearing GFA ('000 sq.m.)	Revenue (RMB'000)	%
Residential properties	**18,864**	**652,349**	**62.2%**	16,314	569,605	69.2%
Non-residential properties	**5,509**	**397,181**	**37.8%**	3,974	253,830	30.8%
Total	**24,373**	**1,049,530**	**100.0%**	20,288	823,435	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 other services.

During the Reporting Period, the Group's revenue from value-added services for property owners amounted to approximately RMB171,716,000, representing a year-on-year increase of approximately 51.9% from approximately RMB113,078,000 for the year ended 31 December 2021. The increase was mainly attributable to (i) the expansion of the customer base due to the increase in the area under management; (ii) diversified services, such as the continuous improvement of the content of housekeeping services, providing property owners with land reclamation and cleaning, daily cleaning, organization and arrangement, household appliance cleaning, pest control and killing, house trusteeship and other services, new charging pile operation, parking space sales and house leasing business; (iii) enhanced brand effect through cooperation with high-quality suppliers. For example, we cooperated with Zhuhai Huafa Jinglong Construction Co. Ltd* (珠海華發景龍建設有限公司) to jointly create the "Huawu Youxuan | Huafa Youjia (華物優選|華發優家)" joint house decoration service brand, opening a new model of home decoration business cooperation; (iv) upgraded and optimized marketing methods with focus on grasping customer groups and marketing nodes. Through the online e-commerce platform Huawu Youxuan (華物優選), combined with offline community promotion and community cultural activities, as well as offline community supermarkets and community auxiliary materials warehouses, we created an integrated online and offline operation of community life services, efficiently promoting the steady improvement of value-added services for property owners.

(III) Other value-added services

We mainly provide (i) supporting services for developers, including security, cleaning, landscaping 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, which is a newly added service of the Group, including canteen dining service, meal delivery, food delivery, afternoon tea and drinking water and other businesses. During the Reporting Period, Zhuhai Huafa Catering Management Services Co., Ltd*（珠海華發餐飲管理服務有限公司）passed 8 system certifications including the food safety management system. In the future, we will take this opportunity to 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 RMB364,781,000, representing a year-on-year increase of approximately 10.2% from approximately RMB331,050,000 for the year ended 31 December 2021. The increase was mainly attributable to the new catering service business during the Reporting Period, as well as the continuous development of existing businesses such as building elevator intelligence and security services.

HOTEL ADVISORY AND EXHIBITION SERVICES

During the Reporting Period, the Group's hotel advisory and exhibition services businesses were adversely affected by resurgence of COVID-19 epidemic and the global economic downturn. The business segment brought revenue of approximately RMB13,029,000 to the Group.

FINANCIAL REVIEW

Revenue

The Group is principally engaged in property management services, hotel advisory and exhibition services. Revenue from property management services accounted for 99.2% 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 2022, the Group's total revenue amounted to approximately RMB1,599,056,000 (2021: RMB1,283,491,000), representing an increase of approximately 24.6% as compared with the year ended 31 December 2021. In particular, revenue from property management services amounted to approximately RMB1,586,027,000 (2021: RMB1,267,563,000), representing an increase of approximately 25.1% as compared with the year ended 31 December 2021, which was mainly due to (i) the increase in revenue resulting from the continuous expansion of the Group's management scale; and (ii) the continuous and stable development of the Group's value-added services.

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				
	2022		2021		
	RMB'000	**Percentage of revenue (%)**	RMB'000	Percentage of revenue (%)	Growth rate (%)
Property management services	**1,586,027**	**99.2**	1,267,563	98.8	25.1
– Basic property services	**1,049,530**	**65.6**	823,435	64.2	27.5
– Value-added services for property owners	**171,716**	**10.8**	113,078	8.8	51.9
– Other value-added services	**364,781**	**22.8**	331,050	25.8	10.2
Hotel advisory and exhibition services	**13,029**	**0.8**	15,928	1.2	–18.2
Total	**1,599,056**	**100**	1,283,491	100	24.6

Cost of sales

For the year ended 31 December 2022, the Group's total cost of sales amounted to approximately RMB1,203,261,000 (2021: RMB935,619,000), representing an increase of approximately 28.6% as compared with the year ended 31 December 2021. The increase in cost of sales was mainly due to (i) the increase in the chargeable size of the Group and the increase of number of projects under management, which resulted in the increase in relevant staff costs and outsourcing costs; and (ii) the increase in revenue from new community retailing business, which resulted in the increase in the cost of retail goods.

Gross profit

For the year ended 31 December 2022, the Group's gross profit amounted to approximately RMB395,795,000 (property management segment: RMB391,268,000), representing an increase of approximately 13.8% from RMB347,872,000 (property management segment: RMB338,526,000) for the year ended 31 December 2021.

Other income and other gains, net

For the year ended 31 December 2022, other income and other gains, net amounted to approximately RMB29,560,000, representing an increase of approximately 239.3% from RMB8,711,000 for the year ended 31 December 2021, which was mainly due to an increase of the exchange gains, net recognized for the change in exchange rates.

Administrative expenses

For the year ended 31 December 2022, the Group's total administrative expenses amounted to RMB98,979,000, representing a decrease of approximately 16.2% from approximately RMB118,106,000 for the year ended 31 December 2021. 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 2022, the Group's total finance expenses, net amounted to approximately RMB9,827,000, representing a decrease of approximately 3.6% from RMB10,191,000 for the year ended 31 December 2021, which was mainly due to the Company's optimization and adjustment of financing portfolio and the decrease in bank borrowings.

Profit for the year

For the year ended 31 December 2022, the Group's profit for the year amounted to approximately RMB194,472,000, representing an increase of approximately 24.4% from RMB156,266,000 for the year ended 31 December 2021. Profit for the year attributable to owners of the Company was approximately RMB193,410,000, representing an increase of approximately 24.1% from RMB155,895,000 for the year ended 31 December 2021.

LIQUIDITY AND FINANCIAL RESOURCES

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB454,457,000 (2021: approximately RMB452,087,000) with bank borrowings of RMB381,355,000 (2021: RMB506,748,000). The Group held current assets of approximately RMB898,029,000 (2021: approximately RMB776,703,000) and total current liabilities of approximately RMB952,959,000 (2021: approximately RMB981,327,000). The Group's current ratio, being total current assets over total current liabilities, was 0.9 (2021: 0.8). Total reserves of the Group was approximately RMB269,000 as at 31 December 2022 (2021: total deficit of RMB131,060,000). The Group's gearing ratio, being total liabilities over total assets, was 99.4% (2021: 114.7%).

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 1.63% to 7.02% per annum (2021: from 1.56% to 3.18% 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 2022, 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 Renminbi ("RMB"). As at 31 December 2022, most of the Group's bank deposits and cash balances were mainly denominated in HK$ and RMB. The HK$ is pegged to the USD, and this made the Group's foreign exchange risk exposure minimal. As such, the Group did not utilise any foreign exchange derivatives for hedging purposes as at 31 December 2022. Foreign currency exposure did not pose a significant risk for the Group, but we will remain vigilant and closely monitor our exposure to movements in relevant exchange rates.

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 announcement, 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 2022, the Group had a total of 8,524 employees (2021: 8,351). Staff costs of the Group amounted to approximately RMB719,191,000 for the year ended 31 December 2022 (2021: approximately RMB673,448,000), 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 developed 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 2022, the Group had no pledged assets (2021: Nil).

CONTINGENT LIABILITIES

As at 31 December 2022, the Group did not have any contingent liabilities (2021: Nil).

CAPITAL EXPENDITURE

For the year ended 31 December 2022, capital expenditure for property, plant and equipment of the Group amounted to approximately RMB27,514,000 (2021: approximately RMB21,027,000).

CAPITAL COMMITMENTS

As at 31 December 2022, the Group had capital commitments amounting to RMB3,269,000 (2021: Nil).

BUSINESS PLAN

Quality-oriented, keeping continuous improvement to enhance the ability of enterprise services

The Group has always insisted on the corporate culture of quality first, and has regarded service quality as the lifeline of enterprise development and fulfilled the promise of "With Me You Can Rest Assured", and implemented the four initiatives of cultural cohesion, warm service, comfortable management and satisfactory business. During the Reporting Period, the Group has developed the "5 excellences" service system of "excellent front-end service, excellent home service, excellent professional service, excellent service for neighborhood and exclusive service"（前置優服務、安家優服務、專業優服務、鄰里優服務、尊享優服務）; strengthened co-marketing and pre-delivery to help partner developers enhance their service and product capabilities; strengthened its customer services and achieved steady improvement in customer satisfaction and brand influence; it was also awarded the 19th in "Top 100 Property Service Enterprises in China in 2022" and "Top 100 Satisfaction Leading Enterprises in Property Service in China in 2022" and other rewards. In the future, we will continue to be customer-oriented to meet and exceed customer expectations as our goal and take the industry benchmark as our responsibility to optimize and upgrade the standardized service system. We will further optimize our service capabilities, enhance our inspection and assessment programs, enrich our community culture, improve our quality management system, enhance our customer service experience, build benchmark projects, actively participate in the creation of local service standards, continuously improve our pre-delivery management service system, and operation standardization construction to enhance our service capabilities, brand influence and product strength.

Expanding in all directions and increasing the business scale

The Group is committed to leveraging its existing high-standard service system to form a development trend rooted in the Greater Bay Area and radiating throughout China. During the Reporting Period, in respect of basic property services, the Group achieved a steady growth in the scale of the Company by actively expanding into the market while providing services to its existing projects. As at 31 December 2022, the Group achieved a year-on-year growth of 34.1% in contracted GFA and an optimized business mix, with a year-on-year growth of 56.5% in revenue from properties developed by independent property developers and 56.5% in revenue from basic property management for non-residential properties for the year ended 31 December 2022. In the future, the Group will continue to undertake related party projects efficiently, focus on key cities and key business, and expand through multiple channels such as bidding, strategic cooperation and M&A to achieve quality outbound expansion. In respect of value-added services for property owners, the Group has formed ten key business systems with five types of services based on "owner-centric", and during the Reporting Period, revenue from value-added services for property owners increased by 51.9% year-on-year. In the future, the Group will continue to focus on the development of community value-added service ecology to provide one-stop community life scenario full-cycle services. Based on its own platform of "Huawu Youxuan（華物優選）", the Group will introduce high-quality suppliers or cooperate with leading enterprises in professional fields to extend service offerings, broaden service boundaries, maximize the use of community resources to enhance the convenience and happiness of owners' lives and establish a complete community value-added service ecological system. In terms of other value-added services, the Group will combine its own and national development policies to export specialized services such as urban services, building elevator intelligence, catering and security services through its subsidiaries while expanding various businesses in a selective and directional manner to further increase the scale of the Company's business.

Refined management empowered by technology

During the Reporting Period, the Group focused on the six major aspects of "refined management", "living service", "smart community", "diversified expansion", "independent innovation" and "information security" to conduct information technology construction, supported the development of the Company's comprehensive business portfolio and innovative outreach, and enhanced operational efficiency, service quality and customer experience. In the future, the Group will build a five-capability digital service management system of "management capability", "operation capability", "innovation capability", "data capability" and "satisfaction capability" by focusing on digital transformation, make steady progress and further enhance the standardization and intelligence of financial business processes through technology construction initiatives such as "customer operation platform, financial sharing platform and smart community construction", and will also use intelligent tools and means in an innovative way to better understand and serve customers, improve customer service experience and customer satisfaction, and provide property owners with intelligent community services in a combination of online and offline models by unifying the management of equipment, personnel and events in the community and reinforcing collaboration between them, gradually build an intelligent service ecosystem and service value chain, and steadily improve digital service capability.

Enhance quality and efficiency with efficient synergy

In January 2023, Huafa Properties formally became the indirect controlling shareholder of the Company. In the future, the Group will integrate the resources and advantages of Huafa Properties and the Company in the real estate development and property management business from the perspective of maximizing overall interests, and strengthen the service synergy, business synergy and control synergy between the Company and Huafa Properties to achieve the goal of enhancing quality and increasing efficiency. The Group will promote the synergistic development of upstream and downstream businesses between the two listed companies, deepen the community value chain around the lifespan of property projects, improve the management level and operational efficiency of the Company in all aspects, and achieve high-quality development.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

On 25 November 2022, the Company had been informed by Hong Kong Huafa Investment Holdings Limited（香港華發投資控股有限公司）("HK Huafa"), the indirect controlling shareholder of the Company and a direct wholly-owned subsidiary of Zhuhai Huafa, the ultimate controlling shareholder of the Company, that as part of an intra-group restructuring, on 25 November 2022, HK Huafa, as the vendor, entered into a conditional share purchase agreement (the "Share Purchase Agreement") with Guang Jie Investment Limited（光傑投資有限公司）("Guang Jie"), an indirect wholly-owned subsidiary of Huafa Properties, a company listed on the Shanghai Stock Exchange (stock code: 600325) and also a direct non-wholly owned subsidiary of Zhuhai Huafa, as the purchaser for the transfer of the entire issued shares of Huajin Investment Company Limited（鏵金投資有限公司）("Huajin Investment") from HK Huafa to Guang Jie (the "Share Transfer") at a consideration of RMB437,349,700. As at 25 November 2022, Huajin Investment was a direct wholly-owned subsidiary of HK Huafa, and Guang Jie and Huajin Investment held 191,157,480 shares and 3,710,750,000 shares of the Company, representing 1.90% and 36.88% of the entire issued shares of the Company, respectively. Further details are set out in the announcement of the Company dated 25 November 2022.

On 3 January 2023, the Company had been informed by HK Huafa and Guang Jie that all completion precedents as set out in the Share Purchase Agreement had been fulfilled and completion of the Share Transfer (the "Completion") took place on 3 January 2023 in accordance with the terms and conditions of the Share Purchase Agreement. Following the Completion, Huajin Investment became a wholly-owned subsidiary of Guang Jie, and Huafa Properties, through Guang Jie and Huajin Investment, held 3,901,907,480 shares of the Company, representing 38.78% of the entire issued shares of the Company. After the Completion, Zhuhai Huafa remains as the ultimate controlling shareholder of the Company. Further details are set out in the announcement of the Company dated 3 January 2023.

On 28 February 2023, Huafa Property (an indirect wholly-owned subsidiary of the Company) and Zhuhai Huafa Group Finance Co., Ltd.*（珠海華發集團財務有限公司）("Huafa Finance Company"), a subsidiary of Zhuhai Huafa and a connected person of the Company, had entered into Financial Service Framework Agreement, pursuant to which Huafa Finance Company agreed to provide certain deposit services to Huafa Property and its subsidiaries ("Huafa Property Group") according to the requirements of Huafa Property Group and formulation of optimal deposit portfolios for Huafa Property Group, including the current deposits, time deposits, call deposits and agreement deposits. The Financial Service Framework Agreement and the transactions contemplated thereunder would constitute a continuing connected transaction of the Company. Further details are set out in the announcement of the Company dated 28 February 2023.

Save as disclosed above and up to the date of this report, the Group had no subsequent event after 31 December 2022 which required disclosure.

INVESTOR RELATIONSHIP

The Company optimised investor relationships, implemented investor relationship maintenance, actively engaged with brokerage firms and potential investors to enhance the Company's image in the capital market. It has built an integrated compliance platform and publicity channels, improved integrated professional publicity documents and a standardised external information disclosure and market publicity system, provided and updated regular, real-time, accurate and complete information, and made the shareholders and the public understand the operation and value of the Company and its business development, and gradually enhanced the transparency of the company's information and its capital market visibility. In the past year, the Company has been fully and proactively carried on effective communication with the capital market, with a view to forge stable and sound relationship and dual communication channel with shareholders, investors, fund managers, analysts, private fund and other parties by proactively communicating with them in terms of industrial development through comprehensive and multi-dimension channels. In line with the Company's strategic planning, the Company continued to communicate effectively with the capital market. The Company actively participated in industry seminars and strategy sessions to further strengthen exchanges with the industry and keep up with the development trend of the property management industry. In the past year, the Company was honoured to receive various professional recognition from the capital market：

- In April 2022, the Company held its annual results presentation through webcast, achieving zero-distance effective communication with investors.

- In October 2022, the Company was first included in the research report of Valuable Capital, indicating further recognition for the Company from security institutions.

- The Company was awarded The Most Valuable Property Company in the 6th Golden Hong Kong Stocks Awards（第六屆金港股最具價值物業公司）, The Most Valuable Listed Real Estate and Property Company by Zhitong Caijing（第七屆智通財經上市公司評選最具價值地產及物業公司）, Ranking the 19th of Comprehensive Strength of Property Services for 2022 in China (2022中國物業服務綜合實力第19名）, the Excellent State-owned Property Service Enterprise for 2022 in China （2022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 2022 (2022中國物業服務百強滿意度領先企業）and various professional awards in the capital market, indicating the high recognition from the capital market.

- The Company further optimised the initiation of and operated its website and WeChat official account ("華發物業服務"), building a bridge for the Company to communicate with society.

- The Company was deeply reported and promoted by various finance media, which further improved the Company's image and recognition among the capital market.

EXECUTIVE DIRECTORS

Mr. Zhou Wenbin

Mr. Zhou Wenbin, aged 54, 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 non-wholly owned direct subsidiary of Zhuhai Huafa, which is an 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 51, 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 48, 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 Zhuhai Huafa Industrial Co., Ltd.（珠海華發實業股份有限公司）, 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 54, 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.

As confirmed by Mr. Dai, as at the date of this announcement, 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 50, 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 37, has been appointed as an executive Director and a vice president of the Company with effect from 16 March 2022. 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 70, 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 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 65, 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. 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 is 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 44, 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 45, 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 41, 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.

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 2022.

PRINCIPAL ACTIVITIES

The Company is an investment holding company and its subsidiaries (together, the "Group") are principally engaged in (i) the provision of property management services and related value-added services in Mainland China, (ii) hotel advisory and exhibition 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 10 to 19 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 April 2023 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 2022 are set out in the Consolidated Statement of Profit or Loss on page 61 of this report and Consolidated Statement of Comprehensive Income on page 62 of this report. The Board does not recommend payment of a final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, 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 Wednesday, 31 May 2023 ("AGM"), all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023.

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

There are no distributable reserves as at 31 December 2022 (2021: Nil).

FIVE YEAR SUMMARY

A summary of the Group's results for each of the five years ended 31 December 2022 and the Group's assets and liabilities as at 31 December 2018, 2019, 2020, 2021 and 2022 is set out on page 5 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)*
(appointed as Chairman with effect from 18 November 2022)
Mr. Li Guangning (resigned as Chairman with effect from 18 November 2022)
Mr. Xie Wei
Mr. Xie Hui (appointed with effect from 17 June 2022 and resigned with effect from 20 April 2023)
Mr. Dai Geying (appointed with effect from 20 April 2023)
Ms. Luo Bin (appointed with effect from 20 April 2023)
Mr. Tze Kan Fat (resigned with effect from 16 March 2022)
Mr. Gu Yuanping (appointed with effect from 16 March 2022)
Mr. Liang Liang (resigned with effect from 17 June 2022)

Non-executive directors

Mr. Zou Chaoyong (appointed with effect from 18 November 2022 and resigned with effect from 20 April 2023)
Ms. Zhou Youfen (resigned with effect from 18 November 2022)

Independent non-executive directors

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

In accordance with bye-law 87 of the Bye-Laws, Mr. Xie Wei, Dr. Chen Jieping and Mr. Guo Shihai will retire at the forthcoming AGM by rotation. In addition, Mr. Dai Geying and Ms. Luo Bin who have been appointed by the Board on 20 April 2023, will hold office until the forthcoming AGM pursuant to bye-law 86(2) of the Bye-laws. 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.

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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 21 to 26 of this report.

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

As at 31 December 2022, none of the Directors or the chief executive of the Company or their close associates had any interests or short positions in any shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "SFO")) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which were taken or deemed to have been taken under such provisions of the SFO), or which were required to be recorded in the register kept by the Company under Section 352 of the SFO, or 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") contained in the Listing Rules.

INTEREST OF SUBSTANTIAL SHAREHOLDERS

So far as it was known to the Directors, as at 31 December 2022, the interests or short positions of persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange were as follows:

Long position in ordinary shares of HK$0.00025 each of the Company

Name of Substantial Shareholders	Capacity/Nature of interest	Number of shares held	Approximate percentage of interested shares to the issued share capital of the Company (%)
Zhuhai Huafa (Note 1)	Interest in controlled corporations	3,901,907,480	38.78
Huafa Properties (Note 1)	Interest in controlled corporations	3,901,907,480	38.78
Ho Chi Sing (Note 2)	Interest in controlled corporations	669,762,520	6.66
IDG Light Solutions Limited (Note 2)	Beneficial owner	669,762,520	6.66

Notes:

1. Zhuhai Huafa holds 100% of the issued share capital of Hong Kong Huafa Investment Holdings Limited ("Huafa HK") which in turn holds 100% of the issued share capital of Huajin Investment Company Limited ("Huajin Investment"). Zhuhai Huafa's non-wholly-owned direct subsidiary, Huafa Properties, indirectly wholly owns Guang Jie Investment Limited ("Guang Jie") which directly holds 191,157,480 shares of the Company. Since Huajin Investment holds 3,710,750,000 shares of the Company and Guang Jie holds 191,157,480 shares of the Company, Zhuhai Huafa is deemed to be interested in 3,901,907,480 shares of the Company by virtue of its shareholding in Huajin Investment and Guang Jie.

2. Mr. Ho Chi Sing directly holds 100% of the issued share capital of IDG Light Solutions Limited (incorporated in the British Virgin Islands), which holds 669,762,520 shares of the Company.

   Therefore, Mr. Ho Chi Sing is deemed to be interested in a total of 669,762,520 shares of the Company by virtue of his shareholding in IDG Light Solutions Limited.

Save as disclosed above, as at 31 December 2022, 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 during the year ended 31 December 2022 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 2022.

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 2022 and up to the date of this report, to the knowledge of 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	35%
– five largest customers	41%
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 35% 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 16 and Chapter 14A of the Listing Rules, are summarised below:

Connected transaction

The following transactions between certain connected parties (as defined in the Listing Rules) and the Company have been entered into and/or are ongoing for the year ended 31 December 2022 for which relevant announcements, if necessary, had been made by the Company in accordance with Chapter 14A of the Listing Rules.

Food and Beverage Supply Agreement

On 29 April 2022, Zhuhai Huafa Food and Beverage Management Services Company Limited*（珠海華發餐飲管理服務有限公司）, a company established under the laws of the PRC and an indirect wholly-owned subsidiary of the Company ("F&B Management Company") entered into the food and beverage supply agreement with Zhuhai West Coastal Apartment Management Company Limited*（珠海西海岸公寓管理有限公司）, a company established under the laws of the PRC and an indirect subsidiary of Zhuhai Huafa ("West Coastal Apartment Management Company"), pursuant to which F&B Management Company agreed to supply to West Coastal Apartment Management Company fruit boxes for an aggregated consideration of approximately RMB812,000 (inclusive of packing and delivery charges but exclusive of tax) (equivalent to approximately HKD990,000) for a term of one year from the date of the food and beverage supply agreement ("Food and Beverage Supply Agreement").

* *For identification purpose only*

During the 12-month period prior to entering into the Food and Beverage Supply Agreement, F&B Management Company was engaged by certain members of Zhuhai Huafa and its subsidiaries and associates excluding the Group ("Zhuhai Huafa Group") to manage and operate three staff canteens and to provide food and beverage services pursuant to the previous arrangements between F&B Management Company as service provider and certain members of Zhuhai Huafa Group prior to entering into the Food and Beverage Supply Agreement, for the provision of managing and operation services for three staff canteens and the provision of food and beverage catering services at the canteens ("Previous Arrangements"). Upon F&B Management Company entering into the Food and Beverage Supply Agreement, the service fees receivable by F&B Management Company when aggregated with the service fees received or receivable under the Previous Arrangements during the 12-month period, will be in excess of HKD3,000,000. As at the date of this announcement 29 April 2022, Zhuhai Huafa is an indirect controlling shareholder of the Company interested in approximately 38.78% of the total issued share capital of the Company, and thus a connected person of the Company pursuant to Chapter 14A of the Listing Rules. As each of the customers under the Previous Arrangements and West Coastal Apartment Management Company is a subsidiary of Zhuhai Huafa, each of them is a connected person of the Company pursuant to Chapter 14A of the Listing Rules and all transactions contemplated by each of the Previous Arrangements and the Food and Beverage Supply Agreement constitute connected transactions of the Company.

Each of Previous Arrangements and the Food and Beverage Supply Agreement respectively constitutes a connected transaction of the Company and is fully exempt from reporting, announcement, circular (including independent financial advice) and Shareholders' approval requirements. However, as the Previous Arrangements and the Food and Beverage Supply Agreement have been entered into by the Group with members of Zhuhai Huafa Group within a 12-month period and are of similar nature, i.e. in relation to provision of food and beverage management and operation services and supply of food and beverage products and services, the transactions contemplated thereunder shall be aggregated as if they were one transaction pursuant to Rule 14A.81 of the Listing Rules. Since the transactions contemplated under the Previous Arrangements and the Food and Beverage Supply Agreement, on aggregated basis, exceed the de minimis threshold of HKD3,000,000, but all applicable percentage ratios calculated in accordance with Chapter 14A of the Listing Rules are less than 5%, the entering into of the Food and Beverage Supply Agreement is subject to the reporting and announcements requirements but is exempt from the circular (including independent financial advice) and Shareholders' approval requirements pursuant to Rule 14A.76(2) of the Listing Rules. Details are set out in the announcement of the Company dated 29 April 2022.

During the year under review, the Company has complied with the relevant disclosure requirements in respect of the connected transaction of the Group in accordance with Chapter 14A of the Listing Rules.

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.

* *For identification purpose only*

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.

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 expects to continue 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 each of the Category I Property Management Services and Category II Property Management Services pursuant to the property management services cooperation framework agreement for the year under review were RMB381,240,000 and RMB238,660,000, respectively, and the total annual cap in respect of the service fees payable by Zhuhai Huafa Group pursuant to the property management services cooperation framework agreement for the year under review was RMB619,900,000. The annual cap in respect of the procurement price payable by Zhuhai Huafa Property and its subsidiaries under the 2021 procurement cooperation framework agreement for the year under review was RMB19,500,000. The actual amounts for the year ended 31 December 2022 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.

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.

The annual cap in respect of the office sharing agreement for the year under review was HK$5,000,000 and the actual sharing fees paid by the Company pursuant to the office sharing agreement for the year ended 31 December 2022 did not exceed the annual cap.

Hotel Consultancy Services Framework Agreement

On 29 April 2019, an indirect wholly-owned subsidiary of the Company namely 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）(the "Management Company") and Zhuhai Huafa entered into the hotel consultancy services framework agreement, for a term not exceeding three years commencing from the fulfilment of all the conditions precedent, pursuant to which Zhuhai Huafa agreed to retain and the Management Company agreed to provide the management services to consultancy hotels (the "Type 1") and consultation services to target hotels (the "Type 2") in return for the services fees.

As at the date of the announcements on 2 December 2018 and 29 April 2019, as Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 36.88% 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 the hotel consultancy services framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the hotel consultancy services framework agreement are over 5% and the annual service fees receivable by the Management Company is greater than HK$10,000,000, the entering into of the hotel consultancy services framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The hotel consultancy services framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 19 July 2019. For details including the pricing policies, are set out in the announcements of the Company dated 2 December 2018 and 29 April 2019; and the circular of the Company dated 2 July 2019.

* *For identification purpose only*

On 28 December 2021, 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. 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 RMB9,000,000 and the actual amount received by Management Company for the year ended 31 December 2022 did not exceed the relevant annual cap.

Convention & Exhibition Business Cooperation Framework Agreement

On 18 July 2019, 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") and Zhuhai Huafa entered into the convention & exhibition business cooperation framework agreement, pursuant to which the Consultant Company agreed to cooperate, and Zhuhai Huafa agreed to retain the Consultant Company for the convention & exhibition services for a term not exceeding three years commencing from the fulfilment of all the conditions precedent.

As at the date of the announcement on 18 July 2019, Zhuhai Huafa was an indirect controlling shareholder of the Company interested in approximately 36.88% 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 convention & exhibition business cooperation framework agreement constitutes a continuing connected transaction of the Company and since various applicable percentage ratios in respect of the convention & exhibition business cooperation framework agreement are over 5% and the annual cooperation fees receivable by the Consultant Company is greater than HK$10,000,000, the entering into of the convention & exhibition business cooperation framework agreement is subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The convention & exhibition business cooperation framework agreement and the transactions contemplated thereunder have been approved by the independent shareholders of the Company on 17 September 2019. For details including the pricing policies, please refer to the announcement and circular of the Company dated 18 July 2019 and 27 August 2019 respectively.

* *For identification purpose only*

On 28 December 2021, 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. 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 2022 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 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 2022 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.

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.

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 14 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 10 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 2022, the Group made charitable donations amounting to approximately RMB8,628 (2021: RMB100,000).

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 2022.

AUDITOR

The consolidated financial statements for the year ended 31 December 2022 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, 29 March 2023

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 2022.

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 14 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 10 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, non-executive Directors and independent non-executive Directors during the year ended 31 December 2022 were as follows:

Executive Directors:

Mr. Zhou Wenbin (Chairman of the Board, appointed with effect from 18 November 2022, Chief Executive Officer and member of Remuneration Committee)
Mr. Li Guangning (resigned as the chairman of the Board on 18 November 2022)
Mr. Xie Wei (Member of the Remuneration Committee)
Mr. Xie Hui (appointed with effect from 17 June 2022 and resigned with effect from 20 April 2023)
Mr. Dai Geying (appointed with effect from 20 April 2023)
Ms. Luo Bin (appointed with effect from 20 April 2023)
Mr. Tze Kan Fat (resigned with effect from 16 March 2022)
Mr. Liang Liang (resigned with effect from 17 June 2022)
Mr. Gu Yuanping (appointed with effect from 16 March 2022)

Non-executive Directors:

Ms. Zhou Youfen (resigned with effect from 18 November 2022)
Mr. Zou Chaoyong (appointed with effect from 18 November 2022 and resigned with effect from 20 April 2023)

Independent Non-executive Directors:

Dr. Chen Jieping (Chairman of the Audit Committee and member of the Nomination Committee and Remuneration Committee)
Mr. Pu Yonghao (Chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee)
Mr. Guo Shihai (Chairman of the Nomination Committee and member 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 21 to 26 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 Part 2 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 2022, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing one-third of the Board, with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

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

Board Independence Evaluation

During the year ended 31 December 2022, 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 2022, 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 2022, 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 pages 28 to 29 of this report.

The Nomination Committee recommended that Mr. Xie Wei, Dr. Chen Jieping and Mr. Guo Shihai, 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 shall hold office until the first AGM of the Company after his/her appointment and be subject to re-election at such meeting. Any Directors appointed by the Board as an addition to the Board shall hold office until the next following AGM of the Company and shall then be eligible for re-election at that meeting. As Mr. Dai Geying and Ms. Luo Bin were appointed by the Board as executive Directors on 20 April 2023, respectively, each of the above Directors shall, in accordance with the bye-law 86(2) of the Bye-Laws, retire and shall then be eligible for re-election at the forthcoming AGM.

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 2022, 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. Li Guangning	1,2,4
Mr. Zhou Wenbin	1,2,4
Mr. Xie Wei	1,2,4
Mr. Xie Hui (appointed on 17 June 2022)	1,2,4
Mr. Gu Yuanping (appointed on 16 March 2022)	1,2,4
Mr. Liang Liang (resigned on 17 June 2022)	1,2,4
Mr. Tze Kan Fat (resigned on 16 March 2022)	1,2,4
Non-executive Directors	
Ms. Zhou Youfen (resigned on 18 November 2022)	1,2,4
Mr. Zou Chaoyong (appointed on 18 November 2022)	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 4 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 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 2022 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, review and/or approve matters relating to share schemes as set out in Chapter 17 of the Listing Rules 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 2022 are set out in note 9 in the Notes to the Consolidated Financial Statements on pages 102 to 104 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 2022, 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	3
51-60	3
61-70	2
Length of Service	
Less than 1 year	2
1-3 years	4
4-6 years	0
7-9 years	3

For the purpose of implementation of the Board Diversity Policy, the Board adopted the measurable objective that at least one member of the Board shall be female. Ms. Luo Bin, of a different gender from other members of the Board, has been appointed as an executive Director of the Company with effect from 20 April 2023. The Board is of the view that the current gender diversity of the Board has achieved the objective set by the Company.

Gender Diversity

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

	Female	**Male**
Overall workforce (including senior management)	41.9%	58.1%

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 period from 1 January 2022 to 31 December 2022 published on 28 April 2023 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. During the year ended 31 December 2022, the Board approved the resignation of Mr. Tze Kan Fat as executive Director and a vice president (副總裁) of the Company and appointment of Mr. Gu Yuanping as executive Director and a vice president (副總裁) of the Company with effect from 16 March 2022; the appointment and resignation of Mr. Xie Hui as executive Director and the resignation of Mr. Liang Liang as an executive Director, a Joint Company Secretary and the executive vice president (常務執行副總裁) of the Company with effect from 17 June 2022 and the resignation of Ms. Zhou Youfen as non-executive Director and the appointment and resignation of Mr. Zou Chaoyong as non-executive Director with effect from 18 November 2022 and 20 April 2023, respectively and the appointment of Mr. Dai Geying and Ms. Luo Bin as executive Directors on 20 April 2023 after taking into consideration of the recommendation from the Nomination Committee.

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 disclosure 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 2022 are set out in the table below:

	Attendance/Number of Meetings					
Name of Director	Board	Nomination Committee	Remuneration Committee	Audit Committee	Annual General Meeting	Special General Meeting
Li Guangning	4/4	–	–	–	1/1	1/1
Zhou Wenbin	4/4	–	1/1	–	1/1	1/1
Xie Wei	4/4	–	1/1	–	1/1	1/1
Xie Hui (appointed on 17 June 2022)	2/2	–	1/1			
Tze Kan Fat (resigned on 16 March 2022)	–	–	–	–	–	–
Liang Liang (resigned on 17 June 2022)	2/2	–	–	–	1/1	–
Gu Yuanping (appointed on 16 March 2022)	4/4	1/1	1/1			
Zhou Youfen (resigned on 18 November 2022)	4/4	–	–	–	1/1	–
Zou Chaoyong (appointed on 18 November 2022)	–	–	–	–	–	1/1
Chen Jieping	4/4	1/1	1/1	2/2	1/1	1/1
Pu Yonghao	4/4	1/1	1/1	2/2	1/1	1/1
Guo Shihai	4/4	1/1	1/1	2/2	1/1	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 2022.

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

The statement of the independent auditor of the Company about its reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 56 to 60.

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 auditors of the Company in respect of audit services and non-audit services for the year ended 31 December 2022 is set out below:

Service Category	**Fees Paid/ Payable RMB (yuan)**
Audit Services	2,000,000
Non-audit Services	
– ESG advisory services	121,000
– Internal control and risk management advisory services	138,000
– Taxation related services	104,000
	2,363,000

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 has been appointed as joint company secretary of the Company in replacement of Mr. Zhou Dong with effect from 20 April 2023 and Ms. Chan Sau Ling of Tricor Services Limited, 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, joint company secretary of the Company. For the year ended 31 December 2022, Ms. Chan Sau Ling has 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 2022, an AGM was held on 31 May 2022 and a special general meeting was held on 29 December 2022. The notices of AGM and special general meeting were sent to shareholders at least 20 and 10 clear business days before the AGM and the special general meeting respectively.

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.

During the year under review, the Company has amended its Memorandum of Association and Bye-Laws pursuant to the amendment to Appendix 3 of the Listing Rules in relation to the Core Shareholder Protection Standards. Details of the amendments are set out in the circular dated 7 December 2022 to the shareholders. An up-to-date version of the Company's Memorandum of Association and Bye-Laws is also available on the websites of the Company and the Stock Exchange.

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).

(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 auditors 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, Tricor Investor Services Limited. The Company will not normally deal with verbal or anonymous enquiries. Shareholders may send written enquiries to the Company.

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. Such details have been disclosed in the annual report of the Company.

INDEPENDENT AUDITOR'S REPORT

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

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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 61 to 136, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

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

Key audit matter	How our audit addressed the key audit matter
Provision for expected credit losses on trade receivables	
As at 31 December 2022, the Group had trade receivables of RMB398,297,000, after making loss allowance of RMB67,864,000. 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. We identified the recoverability of 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 management's judgements and estimations. 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: • Understood and evaluated management's controls in relation to the assessment of the expected credit losses of trade receivables; • Assessed 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; • Assessed the estimated credit loss rates by considering historical cash collection and movements of the ageing of receivables, the market conditions and forward-looking factors; • Tested on a sample basis, the accuracy of ageing analysis of trade receivables prepared by management; • Tested, on a sampling basis, the subsequent settlement of trade receivables to cash receipts and the related supporting documentation; • Checked the mathematical accuracy of the ECL calculation for the loss allowance on trade receivables; and • Assessed the adequacy of the disclosures in the consolidated financial statements in connection with the provision for expected credit losses on 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
29 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
REVENUE	5	**1,599,056**	1,283,491
Cost of sales		**(1,203,261)**	(935,619)
Gross profit		**395,795**	347,872
Other income and gains, net	6	**29,560**	8,711
Selling and marketing expenses		**(5,727)**	(1,409)
Administrative expenses		**(98,979)**	(118,106)
Impairment losses on financial assets		**(22,005)**	(9,284)
Finance expenses, net	8	**(9,827)**	(10,191)
Share of profits and losses of:			
A joint venture		**(118)**	357
An associate		**165**	(536)
PROFIT BEFORE TAX	7	**288,864**	217,414
Income tax expense	11	**(94,392)**	(61,148)
PROFIT FOR THE YEAR		**194,472**	156,266
Attributable to:			
Owners of the parent		**193,410**	155,895
Non-controlling interests		**1,062**	371
		194,472	156,266
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)		**1.92**	1.55

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	2022 RMB'000	2021 RMB'000 (Restated)
PROFIT FOR THE YEAR	**194,472**	156,266
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive (loss)/income that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements	**(16,111)**	217
Other comprehensive (loss)/income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of financial statements of the Company	**(45,970)**	18,996
OTHER COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR, NET OF TAX	**(62,081)**	19,213
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**132,391**	175,479
Attributable to:		
Owners of the parent	**131,329**	175,108
Non-controlling interests	**1,062**	371
	132,391	175,479

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
NON-CURRENT ASSETS				
Property, plant and equipment	14	**31,516**	22,047	18,606
Right-of-use assets	15	**21,145**	18,412	16,442
Intangible assets	16	**7,599**	7,900	3,941
Investment in a joint venture		**1,239**	1,357	956
Investment in an associate		**452**	287	33,587
Deferred tax assets	25	**23,110**	24,212	20,294
Financial asset at fair value through profit or loss	17	**6,532**	9,382	6,723
Total non-current assets		**91,593**	83,597	100,549
CURRENT ASSETS				
Inventories	18	**8,836**	11,740	2,110
Trade receivables	19	**398,297**	285,515	176,083
Prepayments, other receivables and other assets	20	**30,812**	22,899	28,498
Restricted bank balances	21	**5,627**	4,462	754
Cash and cash equivalents	21	**454,457**	452,087	559,576
Total current assets		**898,029**	776,703	767,021
CURRENT LIABILITIES				
Trade payables	22	**140,233**	89,023	51,161
Other payables and accruals	23	**403,485**	373,540	674,368
Interest-bearing bank borrowings	24	**381,355**	506,748	436,811
Lease liabilities	15	**4,640**	2,382	1,025
Tax payable		**23,246**	9,634	7,898
Total current liabilities		**952,959**	981,327	1,171,263
NET CURRENT LIABILITIES		**(54,930)**	(204,624)	(404,242)
TOTAL ASSETS LESS CURRENT LIABILITIES		**36,663**	(121,027)	(303,693)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
NON-CURRENT LIABILITIES				
Lease liabilities	15	**5,458**	2,508	275
Deferred tax liabilities	25	**23,183**	527	–
Other payable	23	**1,940**	2,247	–
Total non-current liabilities		**30,581**	5,282	275
Net assets/(liabilities)		**6,082**	(126,309)	(303,968)
EQUITY/(DEFICIT)				
Equity/(deficit) attributable to owners of the parent				
Share capital	26	**2,200**	2,200	2,200
Reserves/(deficit in reserves)	27	**269**	(131,060)	(306,168)
		2,469	(128,860)	(303,968)
Non-controlling interests		**3,613**	2,551	–
Total equity/(deficit)		**6,082**	(126,309)	(303,968)

Director
Gu Yuanping

Director
Zhou Wenbin

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2022

	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 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 2021 (restated)	2,200	144,919	4,186	31,812	(465)	(678,983)	34,953	157,410	(303,968)	–	(303,968)
Profit for the year	–	–	–	–	–	–	–	155,895	155,895	371	156,266
Other comprehensive income for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	19,218	(5)	19,213	–	19,213
Total comprehensive income for the year	–	–	–	–	–	–	19,218	155,890	175,108	371	175,479
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	–	2,180	2,180
Appropriation to statutory reserves	–	–	–	5,609	–	–	–	(5,609)	–	–	–
At 31 December 2021 and 1 January 2022 (restated)	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 loss for the year:											
Exchange differences on translation of financial statements	–	–	–	–	–	–	(62,081)	–	(62,081)	–	(62,081)
Total comprehensive (loss)/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	2,200	144,919*	4,186*	83,855*	(465)*	(678,983)*	(7,910)*	454,667*	2,469	3,613	6,082

* These reserve accounts comprise the consolidated reserves of RMB269,000 (2021: a debit balance of reserves of RMB131,060,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**288,864**	217,414
Adjustments for:			
Interest expense	8	**12,870**	15,680
Interest income	8	**(3,171)**	(5,489)
Share of profit and loss of a joint venture		**118**	(357)
Share of profit and loss of an associate		**(165)**	536
Loss on disposal of items of property, plant and equipment	6	**116**	34
Gain on disposal of a subsidiary	6	**–**	(127)
Gain on disposal of a joint venture	6	**–**	(2,123)
Fair value loss/(gain) on financial asset at fair value through profit or loss	6	**3,591**	(2,892)
Depreciation of property, plant and equipment	14	**7,523**	6,989
Depreciation of right-of-use assets	15	**6,458**	3,672
Amortisation of intangible assets	16	**1,480**	921
Impairment losses on financial assets	7	**22,005**	9,284
		339,689	243,542
Decrease/(increase) in inventories		**2,904**	(9,629)
Increase in trade receivables		**(134,750)**	(121,610)
(Increase)/decrease in prepayments, other receivables and other assets		**(7,302)**	8,627
Increase in restricted bank balances		**(1,165)**	(3,783)
Increase in trade payables		**51,210**	38,042
Increase in other payables and accruals		**5,347**	56,876
Cash generated from operations		**255,933**	212,065
Income tax paid		**(57,022)**	(63,203)
Net cash flows from operating activities		**198,911**	148,862

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000 (Restated)
Net cash flows from operating activities		**198,911**	148,862
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		**3,171**	5,489
Purchases of items of property, plant and equipment		**(19,627)**	(10,505)
Purchases of intangible assets		**(1,179)**	(275)
Proceeds from disposal of items of property, plant and equipment		**114**	–
Settlement of remaining consideration payable for acquisition of a subsidiary in prior years		**–**	(327,931)
Acquisition of a subsidiary, net of cash acquired		**–**	1,629
Proceeds from disposal of a joint venture		**–**	32,700
Investment in an associate		**–**	(304)
Investment in a joint venture		**–**	(1,019)
Net cash flows used in investing activities		**(17,521)**	(300,216)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(11,332)**	(33,264)
Capital contributions from non-controlling shareholders		**–**	2,180
Proceeds from bank borrowings		**157,027**	518,995
Repayments of bank borrowings		**(324,408)**	(435,398)
Principal and interest element of a lease payment	15(b)	**(4,554)**	(2,255)
Net cash flows (used in)/from financing activities		**(183,267)**	50,258
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,877)**	(101,096)
Cash and cash equivalents at beginning of year	21	**452,087**	559,576
Effect of foreign exchange rate changes, net		**4,247**	(6,393)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**454,457**	452,087
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	21	**460,084**	456,549
Less: Restricted bank balances	21	**(5,627)**	(4,462)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**454,457**	452,087

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 Mainland China
- hotel advisory and exhibition services in Mainland China

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 principle 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) Limited ("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 Company Limited *(note (a))*	PRC/Mainland China	United States dollar 11,200,000	–	100%	Investment holding
華發物業服務有限公司 Huafa Property Service Company Limited ("Huafa Property") *(note (b))*	PRC/Mainland China	RMB50,000,000	–	100%	Property management
珠海華發樓宇電梯工程有限公司 Zhuhai Huafa Building Elevator Engineering Company Limited *(note (b))*	PRC/Mainland China	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	Indirect	Principal activities
華成現代科技服務(成都)有限公司 Huacheng Modern Technology Service (Chengdu) Company Limited *(note (b))*	PRC/Mainland China	RMB20,000,000	–	100%	Property management
珠海華發餐飲管理服務有限公司 Zhuhai HUAFA Catering Management Service Company Limited *(note (b))*	PRC/Mainland China	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 Company Limited *(note (b))*	PRC/Mainland China	RMB10,010,000	–	100%	Support for municipal projects
廣東華發保安服務有限公司 Guangdong Huafa Security Services Company Limited *(note (b))*	PRC/Mainland China	RMB10,000,000	–	100%	Security services
重慶華珠發物業管理服務有限公司 Chongqing Huazhufa Property Management Service Company Limited *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100%	Property management
華發商務服務(珠海)有限公司 Huafa Business Services (Zhuhai) Company Limited *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100%	Property management
華發物業服務(佛山)有限公司 Huafa Property Service (Foshan) Company Limited *(note (b))*	PRC/Mainland China	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	Indirect	Principal activities
華發芳鄰(武漢)科技有限公司 Huafa Fanglin (Wuhan) Technology Company Limited *(note (b))*	PRC/Mainland China	RMB1,000,000	–	100%	Agency services
珠海華鄰生活服務有限公司 Zhuhai Hualin Life Service Company Limited *(note (b))*	PRC/Mainland China	RMB1,000,000	-	60%	Agency services
昆明華發融創物業管理服務有限公司 Kunming Huafa Rongchuang Property Management Service Company Limited *(note (b))*	PRC/Mainland China	RMB5,000,000	–	70%	Property management
珠海華發仲量聯行物業服務有限公司 Zhuhai Huafa Zhongliang Lianxing Property Service Company Limited *(note (b))*	PRC/Mainland China	RMB500,000	–	100%	Property management
上海仁恒華發物業管理有限公司 Shanghai Renheng Huafa Property Management Company Limited *(note (b))*	PRC/Mainland China	RMB5,000,000	–	51%	Property management
陝西華發融創物業管理服務有限公司 Shaanxi Huafa Rongchuang Property Management Service Company Limited *(note (b))*	PRC/Mainland China	RMB2,000,000	–	51%	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	
珠海華物優選生活服務有限公司 Zhuhai Huawu Preferred Living Service Company Limited *(note (b))*	PRC/Mainland China	RMB5,000,000	–	100%	Sale of goods
華發物業服務(廣州)有限公司 Huafa Property Services (Guangzhou) Company Limited *(note (b))*	PRC/Mainland China	RMB1,000,000	–	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/Mainland China	RMB5,000,000	–	100%	Hotel advisory services
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/Mainland China	RMB10,500,000	–	100%	Exhibition services

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.

2.1 BASIS OF PREPARATION

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

Change in presentation currency

Since the operating subsidiaries within the Group mainly operate their businesses in the Mainland China and most of the assets and liabilities of the Group are denominated in RMB, the directors of the Company consider that it is more appropriate to use RMB as the presentation currency of the Group and the presentation of financial statements in RMB can provide more relevant information for management to control and monitor the performance and financial position of the Group. Accordingly, the Group has changed its presentation currency of the financial statements from HKD to RMB starting from 1 January 2022.

Such change in the presentation currency has been accounted for retrospectively in accordance with HKAS 8 *Accounting Policies, Change in Accounting Estimates and Errors*. The following methodology has been used to represent the comparative figures as at 1 January 2021 and 31 December 2021 and for the year ended 31 December 2021, which were originally presented in HKD, in RMB:

- Income and expenditure have been translated at the average rates of exchange prevailing for the relevant period;
- Assets and liabilities have been translated at the closing rates of exchange at the end of the relevant period;
- Share capital and other reserves were translated at applicable historical rates; and
- All resulting exchange differences have been recognised in other comprehensive income.

In addition to the comparative information in respect of the previous period as provided in these consolidated financial statements, the Group presented an additional statement of financial position as at 1 January 2021 without related notes in accordance with HKAS 1 *Presentation of Financial Statements*.

Going concern basis

As at 31 December 2022, the Group's current liabilities exceeded its current assets by RMB54,930,000. Included in the current liabilities, there were interest-bearing bank borrowings of RMB381,355,000 that are subject to certain restrictive covenants. And there were capital commitments of RMB3,269,000 as at 31 December 2022.

The directors of the Company have reviewed the Group's cash flows projections prepared by management, which covered a period of not less than twelve months from 31 December 2022. The directors are of the opinion that, taking into account the anticipated cash flows generated from the Group's operations, the possible changes in the Group's operating performance, and the continued availability of the Group's banking facilities, the Group will have sufficient financial resources to fulfil its financial obligations as and when they fall due in the coming twelve months from 31 December 2022. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

2.1 BASIS OF PREPARATION (continued)

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

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

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

(b) rights arising from other contractual arrangements; and

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

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

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

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

The new amendments to existing standards did not have a material impact or are not relevant to the Group.

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

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

1 Effective for annual periods beginning on or after 1 January 2023

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

3 No mandatory effective date yet determined but available for adoption

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion

5 As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023

6 An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So far, the Group considers that these new and 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in associates and joint ventures

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

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

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

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 cases, 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.

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 that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Business combinations and goodwill (continued)

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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair value measurement

The Group measures its financial asset at fair value through profit or loss 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of non-financial assets

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Related parties (continued)

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

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT 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	20% to 50%
Furniture and fixtures	20% to 50%
Motor vehicles	20%

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 represents a building under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the direct costs of construction and capitalised borrowing costs on related borrowed funds during the period of construction. Construction in progress 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. 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	2 to 5 years
Office equipment	2 to 5 years

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

(b) Lease liabilities

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases (continued)

Group as a lessee (continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases of 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.

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.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Investments and other financial assets (continued)

Subsequent measurement

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

Financial assets at amortised cost (debt instruments)

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

Financial assets at fair value through profit or loss

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

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 equity investments classified as financial assets at fair value through profit or loss are also recognised as other income in the statement of profit or loss when the right of payment has been established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

Derecognition of financial assets

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

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

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

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

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets

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

General approach

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

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

The Group considers a financial asset in default when contractual payments are 360 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 and contract assets 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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

General approach (continued)

Simplified approach

For trade receivables and other 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, and payables, as appropriate.

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

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

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and 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.

Financial liability at fair value through profit or loss

Financial liability at fair value through profit or loss includes financial liability designated upon initial recognition as at fair value through profit or loss.

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

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

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

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 the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Cash and cash equivalents

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

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

Provisions

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

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

2.4 SUMMARY OF SIGNIFICANT 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

- 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

- 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.

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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income tax (continued)

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.

2.4 SUMMARY OF SIGNIFICANT 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 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, food and beverage services and other value-added services to non-residents. The Group agrees the price for each service with the customers upfront. Revenue from other value-added services except for 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.

2.4 SUMMARY OF SIGNIFICANT 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).

Employee benefits

Pension scheme

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.

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 Mainland China 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 on a monthly basis. 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.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currencies

These financial statements are presented in RMB. The functional currency of the Company is the Hong Kong dollar. 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 Mainland China 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. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in the statement of profit or loss.

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 aging 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. 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.

Impairment of non-financial assets (other than goodwill)

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

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/loss, 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 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, an investment in an associate, 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.

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
	1,587,167	13,029	1,600,196
Reconciliation:			
Elimination of intersegment sales			(1,140)
Revenue			1,599,056
Segment results	284,294	17	284,311
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)
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			
Share of profits and losses of:			
A joint venture	(118)	–	(118)
An associate	165	–	165
Impairment losses recognised in the statement of profit or loss, net	21,852	153	22,005
Depreciation and amortisation	15,100	125	15,225
Investment in a joint venture	1,239	–	1,239
Investment in an associate	452	–	452
Capital expenditure	27,514	–	27,514

4. OPERATING SEGMENT INFORMATION (continued)

Year ended 31 December 2021	Property management RMB'000 (Restated)	Hotel advisory and exhibition services RMB'000 (Restated)	Total RMB'000 (Restated)
Segment revenue *(note 5)*			
Sales to external customers	1,267,563	15,928	1,283,491
Intersegment sales	65	–	65
	1,267,628	15,928	1,283,556
Reconciliation:			
Elimination of intersegment sales			(65)
Revenue			1,283,491
Segment results	233,756	3,934	237,690
Reconciliation:			
Interest income			5,489
Finance costs (other than interest on lease liabilities)			(15,477)
Fair value gain on a financial asset at fair value through profit or loss			2,892
Corporate and other unallocated expenses			(13,180)
Profit before tax			217,414
Segment assets	708,371	30,056	738,427
Reconciliation:			
Elimination of intersegment receivables			(2,933)
Corporate and other unallocated assets			124,806
Total assets			860,300
Segment liabilities	462,357	8,122	470,479
Reconciliation:			
Elimination of intersegment payables			(2,933)
Corporate and other unallocated liabilities			519,063
Total liabilities			986,609
Other segment information			
Share of profits and losses of:			
A joint venture	357	–	357
An associate	(536)	–	(536)
Impairment losses recognised in the statement of profit or loss, net	9,379	(95)	9,284
Depreciation and amortisation	11,331	251	11,582
Investment in a joint venture	1,357	–	1,357
Investment in an associate	287	–	287
Capital expenditure*	20,306	721	21,027

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

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 Mainland China.

(b) Non-current assets

	2022 **RMB'000**	2021 RMB'000 (Restated)
Mainland China	**59,488**	47,426
Hong Kong	**772**	933
	60,260	48,359

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

Information about a major customer

For the year ended 31 December 2022, revenue from Zhuhai Huafa and the fellow subsidiaries ("Zhuhai Huafa Group") contributed 35% (2021: 34%) to the Group's 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 years ended 31 December 2022 and 2021.

5. REVENUE

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Revenue from contracts with customers	**1,599,056**	1,283,491

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

Segments	Property management RMB'000	Hotel advisory and exhibition services RMB'000	Total RMB'000
Types of goods or services			
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 revenue from contracts with customers	1,586,027	13,029	1,599,056
Geographical market			
Mainland China	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 revenue from contracts with customers	1,586,027	13,029	1,599,056

5. REVENUE (continued)

Revenue from contracts with customers (continued)

(a) Disaggregated revenue information (continued)

For the year ended 31 December 2021

Segments	Property management RMB'000 (Restated)	Hotel advisory and exhibition services RMB'000 (Restated)	Total RMB'000 (Restated)
Types of goods or services			
Property management services	823,435	–	823,435
Value-added services for property owners	113,078	–	113,078
Other value-added services	331,050	–	331,050
Hotel advisory and exhibition services	–	15,928	15,928
Total revenue from contracts with customers	1,267,563	15,928	1,283,491
Geographical market			
Mainland China	1,267,563	15,928	1,283,491
Timing of revenue recognition			
Goods transferred at a point in time	33,447	–	33,447
Services transferred over time	1,234,116	15,928	1,250,044
Total revenue from contracts with customers	1,267,563	15,928	1,283,491

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 and recognised from performance obligations satisfied in previous periods:

	2022	2021
	RMB'000	RMB'000
		(Restated)
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Property management services	**58,292**	48,602
Other value-added services	**982**	–
Hotel advisory and exhibition services	**30**	–
	59,304	48,602

Details of contract liabilities as at the end of the reporting period are set out in note 23(a) to the consolidated financial statements.

(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 within 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 the respective periods. 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 the respective reporting periods.

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 respective periods. Revenue from food and beverage services is recognised at a point in time when control of the goods is transferred to the customer. There were no unsatisfied or partially unsatisfied performance obligations at the end of the respective periods.

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 the respective periods.

6. OTHER INCOME AND GAINS, NET

	2022 **RMB'000**	2021 RMB'000 (Restated)
Additional value-added tax credit	**3,710**	3,052
Fair value (loss)/gain on financial asset at fair value through profit or loss	**(3,591)**	2,892
Government grants	**5,427**	2,803
Gain on disposal of a joint venture	**–**	2,123
Gain on disposal of a subsidiary	**–**	127
Loss on disposal of property, plant and equipment	**(116)**	(34)
Foreign exchange gain/(loss), net	**22,419**	(3,312)
Others	**1,711**	1,060
	29,560	8,711

7. PROFIT BEFORE TAX

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

	Notes	**2022 RMB'000**	2021 RMB'000 (Restated)
Cost of inventories sold		**129,759**	32,567
Cost of services provided*		**1,073,502**	903,052
Depreciation of property, plant and equipment	14	**7,523**	6,989
Depreciation of right-of-use assets	15(a)	**6,458**	3,672
Amortisation of intangible assets	16	**1,480**	921
Research and development expenses		**5,983**	–
Lease payments not included in the measurement of lease liabilities	15(c)	**3,064**	3,950
Auditor's remuneration		**2,000**	2,425
Employee benefit expense (excluding directors' and chief executive's remuneration):			
Wages and salaries		**658,481**	623,801
Pension scheme contributions		**59,937**	49,032
		718,418	672,833
Foreign exchange differences, net		**(22,419)**	3,312
Impairment of financial assets, net:			
Impairment of trade receivables	19	**21,968**	10,120
Impairment/(reversal of impairment) of financial assets included in prepayments, other receivables and other assets	20	**37**	(836)
		22,005	9,284
Fair value loss/(gain) on financial asset at fair value through profit or loss	6	**3,591**	(2,892)
Bank interest income	8	**(3,171)**	(5,489)
Losses on disposal of items of property, plant and equipment	6	**116**	34

* Cost of services provided for the year included an aggregate amount of RMB670,326,000 (2021: RMB609,838,000) 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 EXPENSES, NET

An analysis of finance expenses is as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Finance expense:		
Interest expense on bank borrowings	**12,299**	14,450
Interest expense on lease liabilities	**571**	203
Interest expense on an amount due to a related party	**–**	375
Others	**128**	652
	12,998	15,680
Finance income:		
Interest income from bank deposits	**(3,171)**	(5,489)
Finance expenses, net	**9,827**	10,191

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, are as follows:

	2022 RMB'000	2021 RMB'000 (Restated)
Fees	**773**	554
Other emoluments:		
Salaries, allowances and benefits in kind	**–**	61
Performance related bonuses	**–**	–
Pension scheme contributions	**–**	–
	–	61
	773	615

For the years ended 31 December 2022 and 2021, no directors and chief executive were granted share options.

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Dr. Chen Jieping	**119**	82
Mr. Pu Yonghao	**119**	82
Mr. Guo Shihai	**119**	82
	357	246

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2022					
Executive director and chief executive:					
Zhou Wenbin *(note (i))*	104	–	–	–	104
Executive directors:					
Li Guangning *(note (ii))*	104	–	–	–	104
Xie Wei	104	–	–	–	104
Xie Hui *(note (iii))*	56	–	–	–	56
Gu Yuanping *(note (iv))*	–	–	–	–	–
Liang Liang *(note (v))*	48	–	–	–	48
	312	–	–	–	312
Non-executive directors:					
Zou Chaoyong *(note (vi))*	–	–	–	–	–
Zhou Youfen *(note (vii))*	–	–	–	–	–
	–	–	–	–	–
	416	–	–	–	416

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

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

	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Performance related bonuses RMB'000	Pension scheme contributions RMB'000	Total remuneration RMB'000
2021					
Executive director and chief executive:					
Li Guangning	98	–	–	–	98
Executive directors:					
Zhou Wenbin	41	–	–	–	41
Xie Wei	98	–	–	–	98
Liang Liang	14	–	–	–	14
Guo Jin	57	–	–	–	57
Tze Kan Fat *(note (viii))*	–	61	–	–	61
	210	61	–	–	271
Non-executive directors:					
Shong Hugo	–	–	–	–	–
Zhou Youfen	–	–	–	–	–
	–	–	–	–	–
	308	61	–	–	369

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

Notes:

(i) Mr. Zhou Wenbin was appointed as Chairman with effect from 18 November 2022.

(ii) Mr. Li Guangning resigned as Chairman with effect from 18 November 2022.

(iii) Mr. Xie Hui was appointed with effect from 17 June 2022.

(iv) Mr. Gu Yuanping was appointed with effect from 16 March 2022.

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

(vi) Mr. Zou Chaoyong was appointed with effect from 18 November 2022.

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

(viii) Mr. Tze Kan Fat resigned with effect from 16 March 2022.

10. FIVE HIGHEST PAID EMPLOYEES

Out of the five employees with the highest emoluments in the Group, none of them (2021: Nil) 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:

	2022 **RMB'000**	2021 RMB'000 (Restated)
Salaries, commissions and other allowances	**7,394**	6,516
Pension scheme contributions	**740**	532
	8,134	7,048

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	
	2022	2021
HKD1,000,001 – HKD2,000,000	**4**	4
HKD2,000,001 – HKD3,000,000	**1**	1
	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% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong.

11. INCOME TAX (continued)

PRC corporate income tax ("CIT")

The Group's income tax provision in respect of its operations in Mainland China has been calculated at the applicable tax rates on the taxable profits for both years, based on the existing legislation, interpretations and practices in respect thereof. Certain of the Group's PRC subsidiaries enjoyed preferential CIT rates of 20% and 15% during both years.

	2022 **RMB'000**	2021 RMB'000 (Restated)
Current tax	**71,370**	66,076
Overprovision in prior years	**(736)**	(892)
Deferred tax	**23,758**	(4,036)
Income tax expense	**94,392**	61,148

A reconciliation of the tax expense applicable to profit before tax using the statutory tax rate to the tax expense at the effective tax rate, and a reconciliation of the applicable rate (i.e., the statutory tax rate) to the effective tax rate, are as follows:

	2022 **RMB'000**	**%**	2021 RMB'000 (Restated)	%
Profit before tax	**288,864**		217,414	
Tax at the statutory tax rate	**72,216**	**25.0**	54,354	25.0
Lower tax rates for specific provinces or enacted by local authority	**(253)**	**(0.1)**	(517)	(0.2)
Effect of withholding tax at 5% on the distributable profits of the Group's PRC subsidiaries	**22,891**	**8.0**	1,499	0.7
Adjustments in respect of current tax of previous periods	**(736)**	**(0.3)**	(892)	(0.4)
Tax losses not recognised	**63**	**–**	5,274	2.4
Profits and losses attributable to a joint venture and an associate	**(12)**	**–**	–	–
Income not subject to tax	**(434)**	**(0.2)**	(1,485)	(0.7)
Expenses not deductible for tax	**657**	**0.3**	2,915	1.3
Tax charge at the Group's effective rate	**94,392**	**32.7**	61,148	28.1

The share of tax attributable to a joint venture and an associate amounting to RMB3,000 (2021: RMB14,000) is included in "Share of profits and losses of a joint venture and an associate" 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 2022 and 2021.

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

The calculation of the basic earnings per share amounts is based on the profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 10,060,920,000 (2021: 10,060,920,000) in issue during the year, as adjusted to reflect the rights issue during the year.

The Group had no potentially dilutive ordinary shares in issue during the years ended 31 December 2022 and 2021.

The calculation of basic earnings per share is based on:

	2022	2021 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent (RMB'000)	**193,410**	155,895
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)	**1.92**	1.55

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 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**

	Leasehold improvements RMB'000 (Restated)	Office equipment RMB'000 (Restated)	Furniture and fixtures RMB'000 (Restated)	Motor vehicles RMB'000 (Restated)	Total RMB'000 (Restated)
31 December 2021					
At 1 January 2021:					
Cost	875	10,748	13,055	28,977	53,655
Accumulated depreciation	(872)	(7,819)	(9,200)	(17,158)	(35,049)
Net carrying amount	3	2,929	3,855	11,819	18,606
At 1 January 2021, net of accumulated depreciation	3	2,929	3,855	11,819	18,606
Additions	1,126	1,095	3,486	4,798	10,505
Disposals	–	(2)	(2)	(30)	(34)
Depreciation provided during the year	(74)	(853)	(1,710)	(4,352)	(6,989)
Exchange realignment	(8)	(11)	(22)	–	(41)
At 31 December 2021, net of accumulated depreciation	1,047	3,158	5,607	12,235	22,047
At 31 December 2021:					
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

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 2 and 5 years, while office equipment generally have lease terms between 2 and 5 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 2021 (restated)	15,554	888	16,442
Additions (restated)	4,395	1,247	5,642
Depreciation charge (restated)	(2,447)	(1,225)	(3,672)
As at 31 December 2021 and 1 January 2022 (restated)	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	17,252	3,893	21,145

(b) Lease liabilities

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

	2022 **RMB'000**	2021 RMB'000 (Restated)
Carrying amount at 1 January	**4,890**	1,300
New leases	**9,191**	5,642
Accretion of interest recognised during the year	**571**	203
Payments	**(4,554)**	(2,255)
Carrying amount at 31 December	**10,098**	4,890
Analysed into:		
Current portion	**4,640**	2,382
Non-current portion	**5,458**	2,508

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

15. LEASES (continued)

The Group as a lessee (continued)

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

	2022 RMB'000	2021 RMB'000 (Restated)
Interest on lease liabilities	**571**	203
Depreciation charge of right-of-use assets	**6,458**	3,672
Expense relating to short-term leases (included in cost of sales, selling and marketing expenses and administrative expenses)	**2,346**	1,685
Variable lease payments not included in the measurement of lease liabilities (included in administrative expenses)	**718**	2,265
Total amount recognised in profit or loss	**10,093**	7,825

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

16. INTANGIBLE ASSETS

	Goodwill RMB'000	Computer software RMB'000	Customer relationship RMB'000	Total RMB'000
31 December 2022				
Cost at 1 January 2022, net of accumulated amortisation (restated)	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
31 December 2021				
At 1 January 2021:				
Cost (restated)	–	4,452	–	4,452
Accumulated amortisation (restated)	–	(511)	–	(511)
Net carrying amount (restated)	–	3,941	–	3,941
Cost at 1 January 2021, net of accumulated amortisation (restated)	–	3,941	–	3,941
Additions (restated)	–	275	–	275
Acquisition of a subsidiary (restated)	2,025	–	2,580	4,605
Amortisation provided during the year (restated)	–	(448)	(473)	(921)
At 31 December 2021 (restated)	2,025	3,768	2,107	7,900
At 31 December 2021:				
Cost (restated)	2,025	4,727	2,580	9,332
Accumulated amortisation (restated)	–	(959)	(473)	(1,432)
Net carrying amount (restated)	2,025	3,768	2,107	7,900

17. FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

	2022 **RMB'000**	2021 RMB'000 (Restated)
Listed equity investment in Hong Kong	**6,532**	9,382

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

18. INVENTORIES

	2022 **RMB'000**	2021 RMB'000 (Restated)
Consumables and spare parts	**8,836**	11,740

19. TRADE RECEIVABLES

	2022 **RMB'000**	2021 RMB'000 (Restated)
Related parties	**146,437**	75,015
Third parties	**319,724**	256,396
	466,161	331,411
Impairment	**(67,864)**	(45,896)
	398,297	285,515

The Group's trading terms with its customers are mainly on credit. The credit period is generally three months. 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 consolidated 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Within 1 year	331,679	248,920
1 to 2 years	51,531	25,319
2 to 3 years	9,917	8,668
3 to 4 years	5,170	2,608
	398,297	285,515

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

	2022 RMB'000	2021 RMB'000 (Restated)
At beginning of year	45,896	35,776
Impairment losses	21,968	10,120
At end of year	67,864	45,896

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on aging 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.

19. TRADE RECEIVABLES (continued)

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 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)**

As at 31 December 2021

	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	8.98%	24.00%	45.00%	57.00%	100.00%	1.78%	0.06%	13.85%
Gross carrying amount (restated) (RMB'000)	138,791	27,617	12,990	6,065	16,128	75,015	54,805	331,411
Expected credit losses (restated) (RMB'000)	(12,469)	(6,628)	(5,846)	(3,457)	(16,128)	(1,335)	(33)	(45,896)

20. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 **RMB'000**	2021 RMB'000 (Restated)
Prepayments	**12,269**	12,257
Deposits and other receivables	**19,117**	11,179
	31,386	23, 436
Impairment allowance	**(574)**	(537)
	30,812	22,899

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

For deposits and prepayments, the Group has assessed that the loss allowance was minimal. For amounts due from related parties and other receivables, 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 were categorised in stage 1 and 12-month expected losses are calculated. During the year ended 31 December 2022, the Group applied the ECL rates of 0.84% to 1.22% (2021: 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:

	2022 **RMB'000**	2021 RMB'000 (Restated)
At beginning of year	**537**	1,373
Impairment losses/(reversal of impairment)	**37**	(836)
At end of year	**574**	537

21. CASH AND CASH EQUIVALENTS

	2022 RMB'000	2021 RMB'000 (Restated)
Cash and bank balances	**460,084**	456,549
Less: Restricted bank balances	**(5,627)**	(4,462)
Cash and cash equivalents	**454,457**	452,087

At the end of the reporting period, the cash and bank balances of the Group denominated in Renminbi ("RMB") amounted to RMB454,603,000 (2021: RMB366,740,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

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 2022 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:

	2022 RMB'000	2021 RMB'000 (Restated)
Up to 90 days	**117,399**	75,577
91 to 180 days	**9,991**	1,731
More than 181 days	**12,843**	11,715
	140,233	89,023

Included in the trade payables are payables of RMB13,621,000 (2021: RMB4,426,000) 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 consolidated financial statements.

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

23. OTHER PAYABLES AND ACCRUALS

	2022 RMB'000	2021 RMB'000 (Restated)
Contract liabilities *(note (a))*	**78,733**	59,304
Deposits paid by property owners	**72,074**	51,465
Accrued payroll	**119,094**	168,668
Other tax payables	**11,418**	13,631
An amount due to a related party *(note 30(b))*	**433**	336
Other payables	**123,673**	82,383
	405,425	375,787
Less: Non-current portion of other payables	**(1,940)**	(2,247)
Current portion	**403,485**	373,540

Other payables were unsecured, non-interest-bearing and repayable on demand as at 31 December 2022 and 2021. Further details of other payables and accruals due to related parties are included in note 30 to the consolidated financial statements.

Note:

(a) Details of contract liabilities are as follows:

	31 December 2022 RMB'000	31 December 2021 RMB'000 (Restated)	1 January 2021 RMB'000 (Restated)
Property management services	**70,323**	58,292	48,602
Other value-added services	**8,410**	982	–
Hotel advisory and exhibition services	**–**	30	–
Contract liabilities	**78,733**	59,304	48,602

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

	2022 **RMB'000**	2021 RMB'000 (Restated)
Current		
Bank loans – unsecured	**381,355**	506,748

(a) Bank borrowings bear interest at an effective interest rate from 1.63% to 7.02% per annum (2021: from 1.56% to 3.18% per annum).

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

(c) As at 31 December 2022 and 2021, 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 RMB'000	**Withholding tax** RMB'000	**Others** RMB'000	**Total** RMB'000
At 1 January 2021 (restated)	319	–	–	319
Acquisition of a subsidiary	–	–	645	645
Deferred tax credited to the statement of profit or loss during the year (restated) *(note 11)*	–	–	(118)	(118)
At 31 December 2021 and 1 January 2022 (restated)	319	–	527	846
Deferred tax charged/(credit) to the statement of profit or loss during the year *(note 11)*	1,676	22,891	(235)	24,332
At 31 December 2022	1,995	22,891	292	25,178

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 2021 (restated)	326	9,260	11,027	20,613
Deferred tax credited to the statement of profit or loss during the year (restated) *(note 11)*	–	2,348	1,570	3,918
At 31 December 2021 and 1 January 2022 (restated)	326	11,608	12,597	24,531
Deferred tax credited/(charged) to the statement of profit or loss during the year (restated) *(note 11)*	2,199	5,501	(7,126)	(574)
At 31 December 2022	2,525	17,109	5,471	25,105

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

	2022 RMB'000	2021 RMB'000 (Restated)
Net deferred tax assets recognised in the consolidated statement of financial position	**23,110**	24,212
Net deferred tax liabilities recognised in the consolidated statement of financial position	**(23,183)**	(527)

The Group has tax losses arising in Hong Kong of RMB13,790,000 (2021: RMB13,539,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose. 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.

25. DEFERRED TAX (continued)

Deferred tax assets (continued)

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

26. SHARE CAPITAL

Shares

	2022	2021 (Restated)
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 (2021: 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 65 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 the aggregate amount of the share capital and share premium of the subsidiaries acquired and 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 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.

(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 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 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 RMB9,191,000 (2021: RMB5,642,000) and RMB9,191,000 (2021: RMB5,642,000), respectively, in respect of lease arrangements for office premises and office equipment.

(b) Changes in liabilities arising from financing activities

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**

2021

	Interest-bearing bank borrowings RMB'000 (Restated)	Lease liabilities RMB'000 (Restated)	Total RMB'000 (Restated)
At 1 January 2021	436,811	1,300	438,111
Changes from financing cash flows	50,333	(2,255)	48,078
New leases	–	5,642	5,642
Interest expense	14,450	203	14,653
Foreign exchange movement	5,154	–	5,154
At 31 December 2021	506,748	4,890	511,638

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Within operating activities	**2,144**	3,950
Within financing activities	**4,554**	2,255
	6,698	6,205

29. COMMITMENTS

There were capital commitments of RMB3,269,000 as at 31 December 2022 (2021: Nil).

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Property management services and related value-added services income received from Zhuhai Huafa Group	**550,197**	422,510
Hotel advisory and exhibition services income received from Zhuhai Huafa Group	**10,855**	11,499
Recharge of administrative expenses from Hong Kong Huafa Investment Holdings Limited ("Huafa HK")	**718**	2,517
Interest expense to a related party	**–**	375
Rental expenses to Zhuhai Huafa Group	**2,124**	445
Purchase of goods and services from Zhuhai Huafa Group	**17,017**	6,392
Interest income from Zhuhai Huafa Group	**8**	391

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:

	2022 RMB'000	2021 RMB'000 (Restated)
Balances included in trade receivables		
– Zhuhai Huafa Group	**146,437**	75,015
Balances included in other receivables, deposits and prepayments		
– Zhuhai Huafa Group	**4,728**	2,121
Balances included in trade payables		
– Zhuhai Huafa Group	**13,621**	4,426
Balances included in other payables and accruals		
– Zhuhai Huafa Group	**26,625**	12,836
– Huafa HK	**433**	336
Balances included in contract liabilities		
– Zhuhai Huafa Group	**5,286**	3,739

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

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

	2022 RMB'000	2021 RMB'000 (Restated)
Salaries, allowances and benefits in kind	**8,167**	7,131
Pension scheme contributions	**740**	532
Total compensation paid to key management personnel	**8,907**	7,663

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

30. RELATED PARTY TRANSACTIONS (continued)

(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 difference 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:

2022

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
	6,532	876,924	883,456

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 liability 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
	1,940	715,828	717,768

2021

Financial assets

	Financial asset at fair value through profit or loss RMB'000 (Restated)	Financial assets at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Trade receivables	–	285,515	285,515
Financial assets included in prepayments, other receivables and other assets	–	10,642	10,642
Financial asset at fair value through profit or loss	9,382	–	9,382
Restricted bank balances	–	4,462	4,462
Cash and cash equivalents	–	452,087	452,087
	9,382	752,706	762,088

31. FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Financial liabilities

	Financial liability at fair value through profit or loss RMB'000 (Restated)	Financial liabilities at amortised cost RMB'000 (Restated)	Total RMB'000 (Restated)
Trade payables	–	89,023	89,023
Financial liabilities included in other payables and accruals	2,247	131,937	134,184
Interest-bearing bank borrowings	–	506,748	506,748
	2,247	727,708	729,955

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 financial asset at fair value through profit or loss traded in active markets 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 are the current bid price.

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

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

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 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**

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Financial asset at fair value through profit or loss	9,382	–	–	9,382

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

Fair value hierarchy (continued)

Liabilities measured at fair value:

As at 31 December 2022

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

As at 31 December 2021

	Fair value measurement using			
	Quoted prices in active markets (Level 1) RMB'000 (Restated)	Significant observable inputs (Level 2) RMB'000 (Restated)	Significant unobservable inputs (Level 3) RMB'000 (Restated)	Total RMB'000 (Restated)
Other payable	–	2,247	–	2,247

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3 for both financial assets and financial liabilities (2021: Nil).

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 consolidated 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.

	2022 **RMB'000**	2021 RMB'000 (Restated)
If 100 basis points decrease in interest rates:		
Increase in profit before tax	**3,804**	5,067
If 100 basis points increase in interest rates:		
Decrease in profit before tax	**(3,804)**	(5,067)

Foreign currency risk

The Group's businesses are located in Mainland China 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
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)**
2021			
If the RMB weakens against the HKD	5	8,568	24,345
If the RMB strengthens against the HKD	(5)	(8,568)	(24,345)

* 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 only with recognised and credit worthy third parties. 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 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
	479,201	–	–	466,161	945,362

As at 31 December 2021

	12-month ECLs	Lifetime ECLs			
	Stage 1 RMB'000 (Restated)	Stage 2 RMB'000 (Restated)	Stage 3 RMB'000 (Restated)	Simplified approach RMB'000 (Restated)	Total RMB'000 (Restated)
Trade receivables*	–	–	–	331,411	331,411
Financial assets included in prepayments, other receivables and other assets					
– Normal**	11,179	–	–	–	11,179
Restricted bank balances					
– Not yet past due	4,462	–	–	–	4,462
Cash and cash equivalents					
– Not yet past due	452,087	–	–	–	452,087
	467,728	–	–	331,411	799,139

* 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 consolidated 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:

	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 payables	**140,233**	**–**	**–**	**140,233**
Financial liabilities included in other payables and accruals	**196,180**	**–**	**–**	**196,180**
Interest-bearing bank borrowings	**427,637**	**–**	**–**	**427,637**
Lease liabilities	**4,910**	**3,002**	**2,637**	**10,549**
	768,960	**3,002**	**2,637**	**774,599**

	2021			
	Current or less than 12 months RMB'000 (Restated)	1 to 2 years RMB'000 (Restated)	2 to 5 years RMB'000 (Restated)	Total RMB'000 (Restated)
Trade and bills payables	89,023	–	–	89,023
Financial liabilities included in other payables and accruals	134,184	–	–	134,184
Interest-bearing bank borrowings	516,665	–	–	516,665
Lease liabilities	3,100	1,396	625	5,121
	742,972	1,396	625	744,993

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.

	2022 **RMB'000**	2021 RMB'000 (Restated)
Total liabilities	**983,540**	986,609
Total assets	**989,622**	860,300
Asset-liability ratio	**99%**	115%

34. EVENTS AFTER THE REPORTING PERIOD

On 25 November 2022, the Company was informed by Huafa HK, the then indirect controlling shareholder of the Company and a direct wholly-owned subsidiary of Zhuhai Huafa, that there were intragroup reorganisation activities undergoing concerning certain entities including a subsidiary of Zhuhai Huafa namely Guang Jie Investment Limited, an indirect wholly-owned subsidiary of Huafa Properties, a company established with limited liability in the PRC on 18 August 1992 and listed on the Shanghai Stock Exchange (stock code: 600325) (the "Restructuring"). Upon 3 January 2023, the Restructuring had been completed and as a result, the Company became an indirectly owned subsidiary of Huafa Properties. Further details of the Restructuring are set out in the Company's announcements dated 25 November 2022 and 3 January 2023.

On 28 February 2023, Huafa Property (an indirect wholly-owned subsidiary of the Company) and Zhuhai Huafa Group Finance Co., Ltd.（珠海華發集團財務有限公司）("Huafa Finance Company") had entered into a financial service framework agreement, pursuant to which Huafa Finance Company agreed to provide deposit services to Huafa Property and its subsidiaries ("Huafa Property Group"). Huafa Finance Company agrees to provide certain deposit services to Huafa Property Group according to the requirements of the Huafa Property Group and formulation of optimal deposit portfolios for Huafa Property Group, including the current deposits, time deposits, call deposits and agreement deposits, pursuant to the terms and conditions of the Financial Service Framework Agreement. Further details are set out in the announcement of the Company dated 28 February 2023.

35. COMPARATIVE AMOUNTS

As explained in note 2.1 to the consolidated financial statements, due to the change in presentation currency during the year ended 31 December 2022, the comparative consolidated financial statements have been restated and presented in RMB as if RMB had been the Group's presentation currency in the prior periods, and a third consolidated statement of financial position as at 1 January 2021 has been presented.

36. 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 2022 RMB'000	31 December 2021 RMB'000 (Restated)	31 January 2021 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	**770**	929	378
Investments in subsidiaries	**734,780**	734,780	768,780
Financial asset at fair value through profit or loss	**6,532**	9,382	6,723
Total non-current assets	**742,082**	745,091	775,881
CURRENT ASSETS			
Prepayments, other receivables and other assets	**1,074**	806	1,051
Loans to subsidiaries	**–**	–	50,000
Amounts due from subsidiaries	**450,396**	1,179	6,593
Cash and cash equivalents	**3,504**	87,833	19,255
Total current assets	**454,974**	89,818	76,899
CURRENT LIABILITIES			
Other payables and accruals	**627**	1,956	3,616
An amount due to a related party	**282**	198	350,703
Amounts due to subsidiaries	**356,979**	251,987	–
Interest-bearing bank borrowings	**381,355**	506,748	436,811
Total current liabilities	**739,243**	760,889	791,130
NET CURRENT LIABILITIES	**(284,269)**	(671,071)	(714,231)
TOTAL ASSETS LESS CURRENT LIABILITIES	**457,813**	74,020	61,650
Net assets	**457,813**	74,020	61,650
EQUITY			
Share capital	**2,200**	2,200	2,200
Other reserves *(note)*	**455,613**	71,820	59,450
Total equity	**457,813**	74,020	61,650

36. 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 reserve RMB'000	(Accumulated losses)/ retained profits RMB'000	Total RMB'000
Balance at 1 January 2021 (restated)	144,781	57,815	35,260	(178,406)	59,450
Loss for the year (restated)	–	–	–	(6,626)	(6,626)
Other comprehensive income for the year (restated)	–	–	18,996	–	18,996
Total comprehensive income/(loss) for the year (restated)	–	–	18,996	(6,626)	12,370
At 31 December 2021 and 1 January 2022 (restated)	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 (loss)/income for the year	–	–	(45,970)	429,763	383,793
At 31 December 2022	144,781	57,815	8,286	244,731	455,613

* 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.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 29 March 2023.

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