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

(Incorporated in Hong Kong with limited liability)

Stock Code : 6626

*WHERE GOOD SERVICE STARTS*

ANNUAL REPORT

2023

# CONTENTS

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

### NON-EXECUTIVE DIRECTORS

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

### EXECUTIVE DIRECTORS

Mr. Zhang Jianguo
Mr. Zhang Chenghao
Mr. Zhang Jin

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Leung Yiu Man

## BOARD COMMITTEES

### AUDIT COMMITTEE

Ms. Hui Lai Kwan *(Chairlady)*
Mr. Hung Shing Ming
Mr. Leung Yiu Man

### REMUNERATION COMMITTEE

Mr. Hung Shing Ming *(Chairman)*
Mr. Lin Feng
Ms. Hui Lai Kwan
Mr. Leung Yiu Man

### NOMINATION COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Leung Yiu Man

### INVESTMENT COMMITTEE

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

### ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

Mr. Lin Feng *(Chairman)*
Mr. Zhang Jianguo
Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Leung Yiu Man

* Mr. Lin Feng resigned as the Chairman and a non-executive director of Yuexiu Services Group Limited on 24 April 2024. Please refer to the announcement of Yuexiu Services Group Limited dated 24 April 2024 for further details.

## COMPANY SECRETARY

Mr. Yu Tat Fung

## AUDITOR

PricewaterhouseCoopers
*Certified Public Accountants*
*and Registered Public Interest Entity Auditor*

## PRINCIPAL BANKERS

Agricultural Bank of China Limited
China Construction Bank Corporation
Bank of China (Hong Kong) Limited
Bank of Guangzhou Co., Ltd.
China Everbright Bank Co., Ltd., Hong Kong Branch
China CITIC Bank Corporation Limited
Shanghai Pudong Development Bank Co., Ltd.
Chong Hing Bank Limited

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

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

## SHARE REGISTRAR

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

## INVESTOR RELATIONS

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

## STOCK CODE

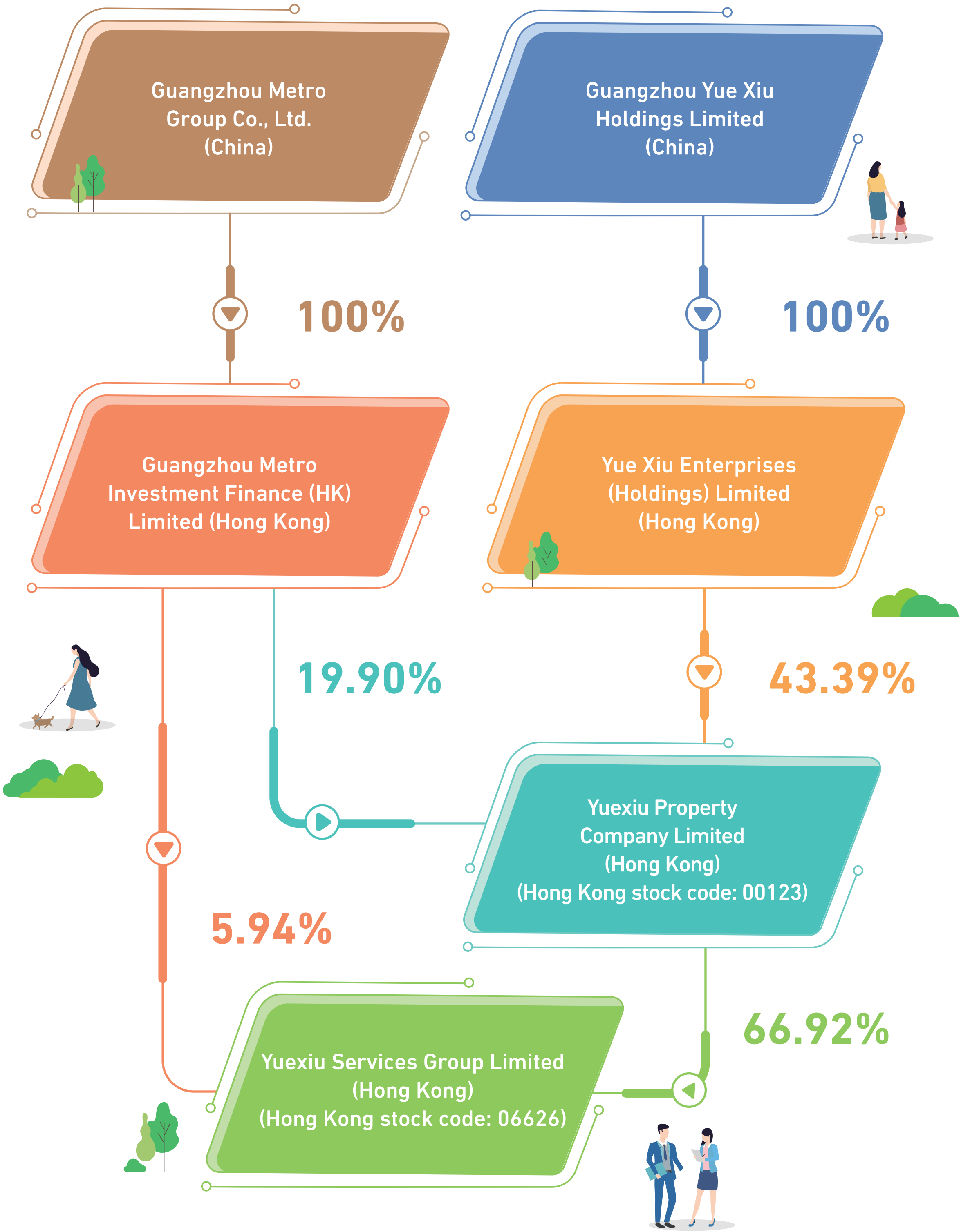
6626

## WEBSITES TO ACCESS COMPANY INFORMATION

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

# CORPORATE STRUCTURE

(As of 31 December 2023)



# FINANCIAL SUMMARY

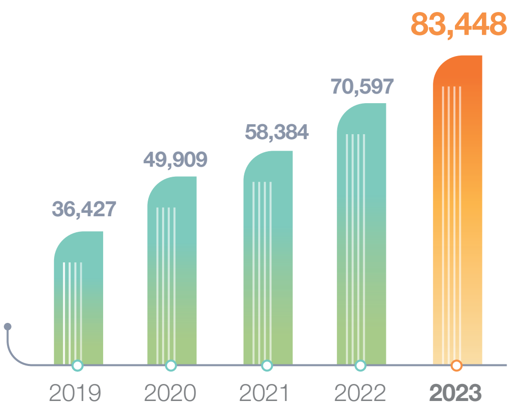
| | For the year ended 31 December | | | | |
|---|---|---|---|---|---|
| | **2023** | 2022 | 2021 | 2020 | 2019 |
| Total Revenue (RMB million) | **3,224** | 2,486 | 1,918 | 1,168 | 896 |
| Gross profit (RMB million) | **857** | 679 | 671 | 403 | 243 |
| Gross profit margin (%) | **26.6%** | 27.3% | 35.0% | 34.5% | 27.2% |
| Net profit* (RMB million) | **500** | 424 | 370 | 204 | 93 |
| Net profit margin* (%) | **15.5%** | 17.1% | 19.3% | 17.4% | 10.4% |
| Earnings per share (RMB) | **0.32** | 0.27 | 0.27 | 0.20 | 0.09 |
| Dividend per share (RMB) | **0.160** | 0.096 | 0.083 | — | — |

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

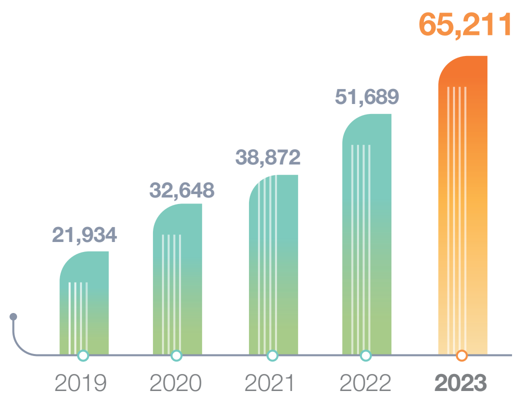
| | As at 31 December | | | | |
|---|---|---|---|---|---|
| (RMB million) | **2023** | 2022 | 2021 | 2020 | 2019 |
| **Assets** | | | | | |
| Non-current assets | **533** | 530 | 490 | 535 | 211 |
| Current assets | **5,874** | 5,418 | 4,641 | 1,876 | 2,756 |
| **Total assets** | **6,407** | 5,948 | 5,131 | 2,411 | 2,967 |
| **Equity** | | | | | |
| Equity attributable to owners of the Company | **3,444** | 3,223 | 2,932 | 615 | 259 |
| Non-controlling interests | **176** | 168 | 158 | 146 | 9 |
| **Total equity** | **3,620** | 3,391 | 3,090 | 761 | 268 |
| **Liabilities** | | | | | |
| Non-current liabilities | **122** | 536 | 498 | 94 | 973 |
| Current liabilities | **2,665** | 2,021 | 1,543 | 1,556 | 1,726 |
| **Total liabilities** | **2,787** | 2,557 | 2,041 | 1,650 | 2,699 |
| **Total equity and liabilities** | **6,407** | 5,948 | 5,131 | 2,411 | 2,967 |

# RESULTS HIGHLIGHTS

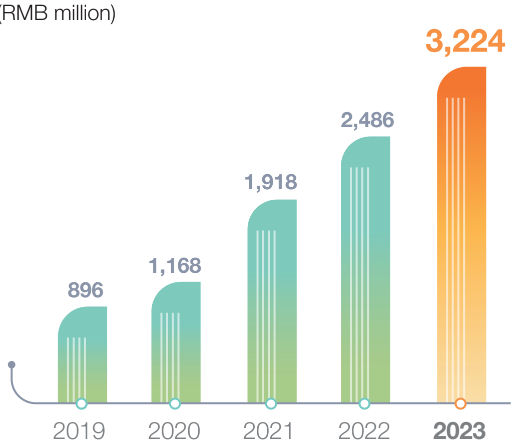
## CONTRACTED GFA
(thousand sq.m.)



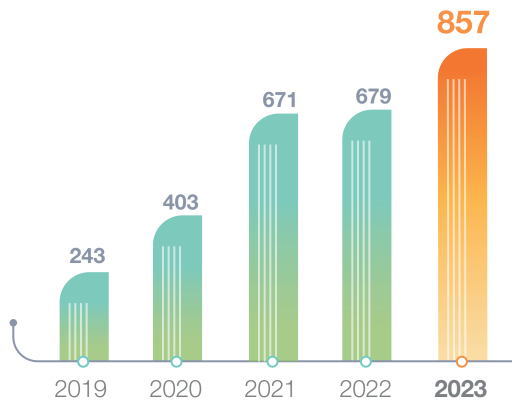

## GFA UNDER MANAGEMENT
(thousand sq.m.)



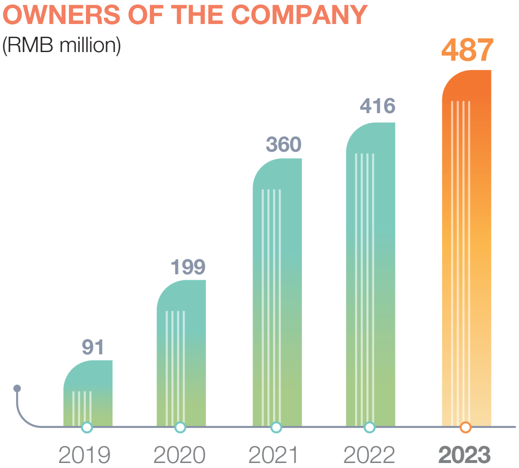

## TOTAL REVENUE
(RMB million)



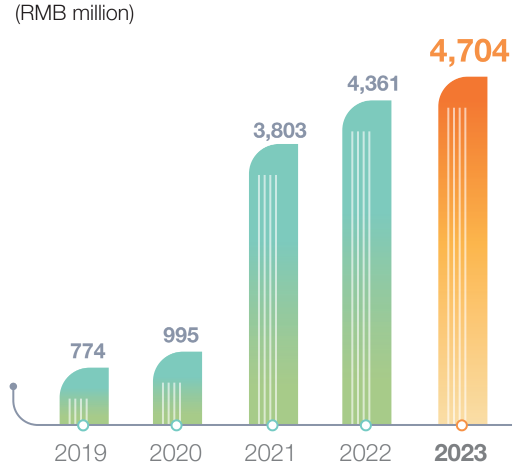

## GROSS PROFIT
(RMB million)




## PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY
(RMB million)




## CASH AND FIXED BANK DEPOSITS
(RMB million)



# BUSINESS SCOPE

## FOUR BUSINESS TYPES

### RESIDENTIAL PROPERTY:

By focusing on customer needs and leveraging its professional property management experience, Yuexiu Services Group Limited (the "**Company**", together with its subsidiaries, the "**Group**") provides services in every aspect of the entire property development and operation value chain and continuously enhances the experience of "product + customer + operation", providing customers with full-cycle and heartfelt services, and creating a harmonious community atmosphere.

The Group has launched three classes of residential product lines, namely "Zhenyue (臻越)", "Boyue (鉑越)" and "Xiangyue (享越)" based on "differentiated property management fees, differentiated residents' needs and differentiated service scenarios", and provided customers with tailor-made solutions in line with its full range of product offerings and advanced management philosophies.


As of 31 December 2023, the GFA of residential properties under management of the Group was 41.21 million sq.m., serving more than 280,000 property owners.

Guangzhou Starry Garden

Panyu Grand Mansion in Guangzhou

### COMMERCIAL PROPERTIES AND INDUSTRIAL PARKS:

As a leading expert in commercial property operation and management and a pioneer in skyscraper property management in China, the Group integrates "assets + services + operations" to provide property asset management services for multiple urban landmarks and high-end commercial projects, covering a wide range of business sectors such as commercial properties, office buildings and wholesale markets. The landmark project Guangzhou International Finance Centre is the only commercial project in China to achieve three internationally recognised certifications, namely LEED, BOMA and RICS.

Equipped with extensive experience in Integrated Facility Management (IFM), Property Management (PM) and Asset Management (AM) as well as an international perspective, the Group provides the full lifecycle of asset management and operation solutions throughout various stages, including planning and design, construction, pre-sale and pre-leasing, delivery and sale, and operation. This approach enhances the integration of various business sectors through coordinated allocation of resources, thereby promoting the preservation and appreciation of asset value.

*International business management standards*

The Group also focuses on fostering comprehensive corporate service capabilities for industrial parks, and building a business model that integrates "basic property management + industrial services + smart cities (digital intelligence services)". The industrial park projects under management of the Group cover a wide range of industries, including electronics, heavy industry, auto trade, and logistics.

As of 31 December 2023, the GFA of commercial properties and industrial parks under management of the Group was 10.41 million sq.m..

Guangzhou International Finance Centre


BASF Industrial Park in Zhanjiang

# BUSINESS SCOPE

## TOD SECTOR

The Group develops a S-TOD four-dimensional urban service system and TOD rail transit integrated services encompassing "underground rail transit spaces + above-ground properties + public spaces + industrial services". The Group has developed core technologies for cleaning the specific equipment of rail transit, including train tear mark treatment, parts and component cleaning for trains under repair and overhaul, train cleaning, initial cleaning of new metro lines, work-at-height, and epidemic prevention and disinfection. In addition, the Group introduces unique management models for specialised services such as electromechanical maintenance, order maintenance and apartment management.


Metro depot


Metro depot


Metro station

As of 31 December 2023, the GFA of TOD projects under management of the Group was 7.04 million sq.m., with its national footprint extended to six cities, namely Guangzhou, Changsha, Fuzhou, Qingdao, Zhengzhou and Lijiang.

## URBAN SERVICES AND PUBLIC PREMISES

One-for-all governance services: The one-for-all governance services of the Group aim to build smart and vibrant modern communities by leveraging four core capabilities of "integrated renovation of old communities, digital integration, reactivation of existing properties through self-operation, and refined property management services".

Public premises: While providing basic property management services, the Group also offers professional and high-quality services such as clubhouse management, catering and professional docents, providing comprehensive, attentive and professional logistical support to various government and public institutions.

As of 31 December 2023, the GFA of urban services and public premises under management of the Group was 6.55 million sq.m..


Tianhenan Community of Guangzhou


Guangdong Science Center


New Guangzhou Cultural Center

## FIVE VALUE-ADDED SERVICE PLATFORMS

Based on market potential, the Group is committed to building its five value-added service platforms by leveraging its own resources and advantages. This effort aims to continuously optimise the layout of high-quality and high value-added businesses, comprehensively satisfying people's pursuit of increasingly diverse lifestyles and enhancing their one-stop life service experience.

### NEW RETAIL: CREATING DIFFERENTIATED PRODUCTS AND SERVICES AROUND CUSTOMER NEEDS

The Group has conducted in-depth research on the demands of customers, businesses, and the government. With customers' trust built through day-to-day operations, the Group strives to create its flagship value-added services that are convenient, affordable, and quality-guaranteed. The Group has also launched its own proprietary brands of commodity sales, "Yuefuli (越福禮)" and home-living services, "Yuexiu Housekeeping Services (越福到家)".

The Group offers community operation services, focusing on the daily needs of residents by offering a range of services, including commodity retail sales and community tourism, as well as home-living services such as housekeeping services, household appliance cleaning, and automotive aftermarket services.

In addition, the Group's corporate professional services include corporate welfare gift services, initial cleaning services, conference management services, event planning and management services, etc..

Corporate welfare gifts

Community fair

### PROPERTY AGENCY: CREATING AN ALL-ROUND ASSET SERVICE PLATFORM FOR PROPERTIES

Based on the asset management needs of residents, the Group has built an all-round and professional asset operation and management platform to provide customers with one-stop asset service solutions, covering various areas including the leasing and sales of second-hand properties, parking space sales, apartment operation and management, with the goal of assisting property owners in preserving and increasing the value of their assets.


Parking space sales

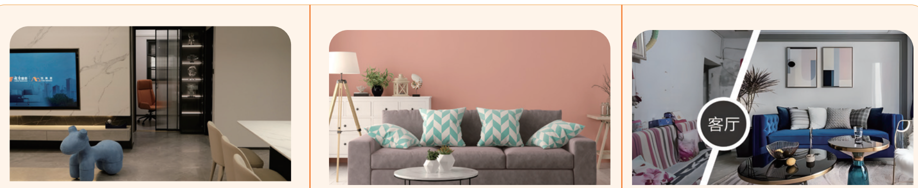
Property leasing and sales


Apartment entrustment

# BUSINESS SCOPE

### YOO-MAGIC (悦美居): A ONE-STOP DECORATION SERVICE PROVIDER DEDICATED TO CREATING A BETTER LIVING ENVIRONMENT

Based on the three major stages of the full lifecycle of properties (development, delivery and use), and by anticipating and addressing the needs and pain points of various stakeholders such as developers and customers, Yoo-Magic integrates its strengths in supply chain resources to provide turnkey and move-in furnishing and engineering renovation services.

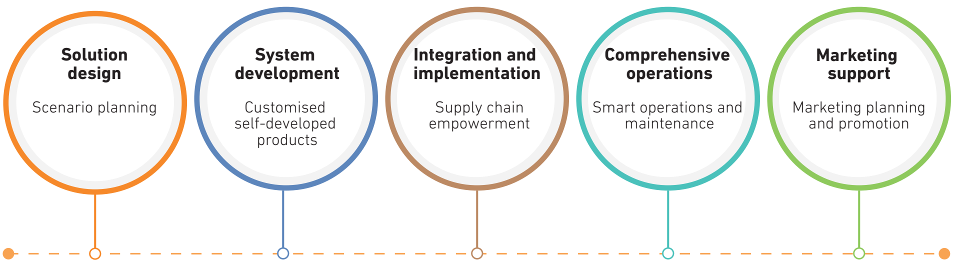



Development (sales stage): pre-development | Delivery: turnkey and move-in furnishing | Use: Partial upgrade

### INTELLIGENCE: INTELLIGENT APPLICATION SERVICE OPERATOR CENTRED ON IOT

Leveraging digital technologies such as the IoT, big data and cloud computing, the Group specialises in digitalization and intelligent operation, providing a full chain of professional services for digital and technological operations in all scenarios, ranging from solution design, system development, integration and implementation, comprehensive operations to marketing support for various business types, including smart residences and communities, smart commercial spaces and office buildings, smart neighbourhoods and healthcare institutions, smart apartments and hotels, smart campuses, and smart industrial parks.

**Full-chain services**



## COMMUNITY COMMERCIAL SERVICES: PROFESSIONAL SERVICES FOCUSING ON THE FULL LIFECYCLE OF COMMERCIAL OPERATION OF SPACES

With the aim to revive communities, the Group has cultivated its community commercial brand, "Yuexiu • Living Fun (越秀 • 悦匯時光)", leveraging resources from over 2,000 strategic business alliances and focusing on diversified commercial spaces, community public spaces and urban public spaces to provide all-round space commercial operation services, including research and planning, tenant sourcing, operation agency, brand promotion, and basic property management for various types of spaces.

**Three main spaces**

**Community public spaces**
Centralised clubhouses, open-air floors, designated spaces

**Urban public spaces**
Community fair, recreational and sports venues

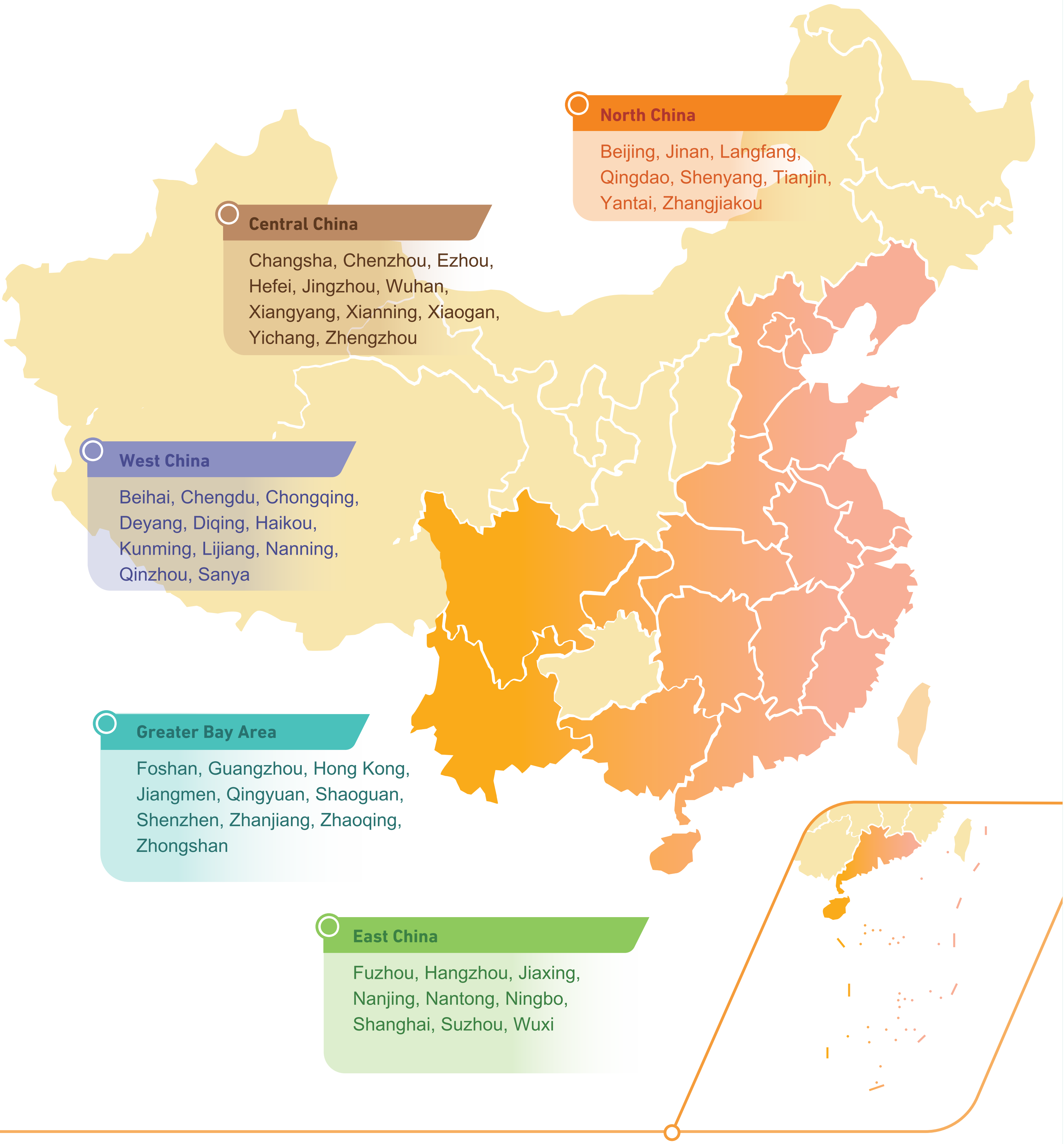
**Diversified commercial spaces**
Community commercial spaces, urban commercial spaces, complexes, industrial parks, cultural and tourism commercial spaces

Living Fun in Suzhou

Galaxy TOD project in Guangzhou

# NATIONWIDE PRESENCE

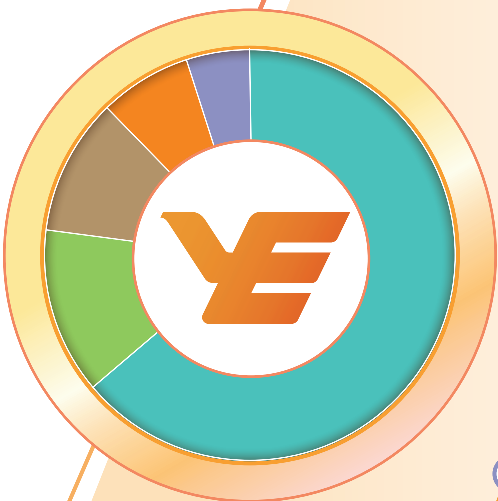
(As of 31 December 2023)



# NATIONWIDE PRESENCE

(As of 31 December 2023)

**49 cities (including Hong Kong)**



| | | |
|---|---|---|
| Greater Bay Area: | **46.79** million sq.m. | 56% |
| East China: | **10.82** million sq.m. | 13% |
| Central China: | **11.00** million sq.m. | 13% |
| North China: | **9.10** million sq.m. | 11% |
| West China: | **5.74** million sq.m. | 7% |

**Contracted GFA 83.45 million sq.m.**

# 2023 MAJOR EVENTS

## INTRODUCING THE FIRST HIGH-END PROJECT UNDER "ZHENYUE LINE (臻越系)"

- Introduced high-end services under "Zhenyue Line (臻越系)", with Panyu Grand Mansion being the first project to showcase high-end services

## COMMUNITY COMMERCIAL SERVICE BRAND –"LIVING FUN (悦匯時光)" GOING NATIONWIDE

- Launched Suzhou Living Fun (悦匯時光) to create a quality and inclusive integrated space for commercial facilities, marking the first community commercial complex under "Living Fun (悦匯時光)" brand in East China


## OPENING OF THE FIRST URBAN SHOWROOM OF "YOO-MAGIC (悦美居)" IN CHINA

- Opened the first "Yoo-Magic (悦美居)" showroom in China, enabling customers to comprehensively experience the performance and quality of products from multiple angles, in an attempt to create an ideal living space

## ORGANISING THE FIRST NATIONAL RESIDENTS' SPORTING EVENT

- Organised the first national residents' sporting event, the "Dynamic Summer (越動的夏天)", with over 3,000 residents participating in 53 competitive games, to promote fitness for all as well as create a vibrant and harmonious community atmosphere


## WINNING THE BID OF NEW TOD PROJECT

- Won the bid of the Hexi Depot, Phase I, Line 12 of Zhengzhou Metro, further expanding the TOD footprint to another city and steadily enhancing our nationwide presence

## FORMING A JOINT VENTURE WITH OTIS ELEVATOR

- Established a joint venture with OTIS Elevator to expand our FM business through providing professional elevator maintenance services

## COLLABORATION WITH GIEC, CHINESE ACADEMY OF SCIENCES


- Entered into a collaboration agreement with the Guangzhou Institute of Energy Conversion ("GIEC"), Chinese Academy of Sciences to explore product development and service model under "dual carbon" strategy, as part of our green property management initiative

## ENTERING INTO A COOPERATION AGREEMENT WITH YUM CHINA

- Entered into a national strategic alliance cooperation agreement with YUM China to strengthen market expansion and channel cooperation, continuously expanding our strategic cooperation resources

## RANKING TOP14 AMONG TOP100 PROPERTY MANAGEMENT COMPANIES


- Accredited by China Index Academy and ranked TOP14 among the 2023 TOP100 Property Management Companies in China (2023中國物業服務百強企業TOP14)

## ESG RATING RANKING TOP AMONG DOMESTIC PROPERTY MANAGEMENT COMPANIES

- MSCI ESG rating elevated from "BBB" to "A", the highest rating awarded to property management companies in Mainland China

# AWARDS AND HONOURS



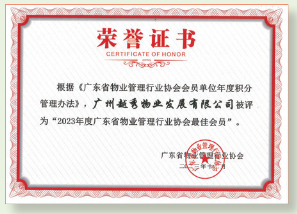






| Name of Award | Organisers |
|---|---|
| TOP14 among the 2023 TOP100 Property Management Companies in China (2023中國物業服務百強企業TOP14) | *China Index Academy* |
| 2023 China High-end Property Service Leading Company (2023中國高端物業服務領先企業) | |
| 2023 China Leading Property Management Companies in terms of Service Quality (2023中國物業服務質量領先企業) | |
| 2023 China Leading Property Management Companies in terms of Characteristical Service - Community Operation Services (2023中國特色物業服務領先企業—社區運營服務) | |
| 2023 Guangzhou TOP1 Property Management Company in terms of Comprehensive Strength (2023廣州市物業服務企業綜合實力TOP1) | |
| 2023 China TOP10 Listed Property Management Companies in terms of Comprehensive Strength (2023中國物業服務上市公司綜合實力TOP10) | |
| TOP7 among China's Property Management Exceptional Companies in terms of ESG Development for 2023 (2023中國物業服務ESG發展優秀企業TOP7) | |
| TOP8 among China's Listed Property Management Companies in terms of Non-residential Property Services for 2023 (2023中國物業服務上市公司非住宅物業服務TOP8) | |

## AWARDS AND HONOURS






| Name of Award | Organisers |
|---|---|
| 2023 Guangdong Province Property Service Comprehensive Development Strength Enterprise (2023廣東省物業服務綜合發展實力企業) | *Guangdong Property Management Industry Institute* |
| Greater Bay Area Property Service Brand Enterprise for 2023 (2023大灣區物業服務品牌企業) | |
| Best Member of Guangdong Property Management Industry Institute for 2023 (2023年度廣東省物業管理行業協會最佳會員) | |
| 2023 Property Management Companies with Outstanding Performance of Digital Intelligence (2023物業服務數智力卓越表現) | *Guandian Index Academy* |
| Excellence in ESG Governance Award (Small-cap Category) (卓越ESG管治表現大獎 (小市值組別)) | *Ming Pao* |
| Excellence in Social Sustainability Award (Small-cap Category) (卓越社會表現大獎 (小市值組別)) | |
| China's Outstanding Listed Property Management Company in ESG Practice for 2023 (2023中國物業服務上市公司ESG實踐優秀企業) | *China Index Academy* |
| Listed State-owned Enterprises - ESG Vanguard 100 Index (國有企業上市公司ESG，先鋒100指數) | *The Task Force for the Blue Book of the Social Responsibilities of State-owned Enterprises (2023)* |

# CHAIRMAN'S STATEMENT

# CHAIRMAN'S STATEMENT

**Mr. Lin Feng**
*Chairman of the Board*

**Dear Shareholders,**

In 2023, Yuexiu Services Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") pursued the vision to become "our customers' trusted service company". The Group strived to continue to optimize its core property management services, while enhancing value-added services, and actively expanding business. Such strategies helped the Group improve customer satisfaction, progressively develop the market, strengthen operational capabilities of value-added services, and eventually produce solid result performance.

## INDUSTRY REVIEW

With the three-year-long COVID-19 epidemic restrictions finally ending, the world economy has begun to recover. However, due to other causes such as geopolitical tensions and rising inflation, global economic development has been slow and unequal. In response to the increasing downward pressure, China increased macro-control measures to achieve long-term improvement in economic performance, achieving its primary economic and social development goals for the year. China achieved significant GDP growth in 2023, expanding at a year-on-year rate of 5.2%.

In 2023, the property market continued to experience significant changes. Some property developers experienced a business slowdown and with material risks continuing to exist – the property management industry in turn no longer benefitted from fast expansion and high gross profit. Various property management companies aggressively responded to market changes by focusing on service quality, prioritising the quality of expansion projects, and pursuing breakthroughs via diversification of business streams. These efforts have assisted the property management industry in returning to a path of robust and high-quality development.

Furthermore, because property management services are so important to people's livelihoods and living standards, the central and local governments have continuously improved policies governing the property management industry, setting the groundwork for the industry's standardized and professional development. In July 2023, 13 ministries, including the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development (the "**MOHURD**"), jointly issued the "Three-Year Action Plan for Comprehensively Promoting the Construction of 15-Minute Convenient Living Circles in Cities (2023-2025)" – which sets out the goal of constructing 15-minute "convenient living circles" by 2025 in all qualified prefecture-level cities (and cities above such level) across Mainland China and supports large-scale property management companies to provide services that improve the living standards of citizens in such cities, and promote the combined offering of property management services and lifestyle services. In the same month, seven ministries, including the MOHURD, published the "Notice on Issuing and Distributing the List of Pilot Projects for Integrated Community Construction"– which aims to further promote pilot projects for construction of integrated communities, and with a particular focus on improving community equipment and supporting facilities to create a better living environment for communities.

## BUSINESS REVIEW

### SOLID GROWTH IN OPERATING RESULTS

The Group's revenue for the year ended 31 December 2023 (the "**Year**") was RMB3,223.6 million, up 29.7% from the year ended 31 December 2022 (the "**Previous Year**"). The Group's gross profit margin for the Year was 26.6%, which was relatively unchanged year on year. The profit attributable to owners of the Company was RMB487.0 million, representing a 17.0% increase over the Previous Year. The board (the "**Board**") of directors (the "**Directors**") of the Company has proposed to declare a final dividend of HKD0.087 per share of the Company (the "**Share**") (equal to RMB0.079 per Share) for the Year. The total dividend for 2023, including the interim dividend, was HKD0.176 per Share (equal to RMB0.160 per Share). The total dividend payout ratio for 2023 was 50%.

# CHAIRMAN'S STATEMENT

### IMPROVING CORE PROPERTY MANAGEMENT SERVICES WITH A FOCUS ON QUALITY

In 2023, the Group continued to work towards its original goals, improved its standard operating procedures, and offered professional, refined and tailored services to a variety of sectors to meet client demands. The Group chose top-notch residential properties projects to introduce high-end services under its "Zhenyue Line (臻越系)", with Panyu Grand Mansion being the first project to showcase the Group's high-end services. In addition, the Group established professional services systems for sectors such as civic centers, office buildings and industrial parks. The Group also conducted studies on service design and developed comprehensive standards for whole life-cycle services, with the aim of establishing a competitive edge and improving client retention.

In order to support its development as a professional service provider, the Group has assembled an in-house team and continued to enhance its value-adding services and capabilities. The Group established a joint venture with OTIS Elevator (China) Company Limited during the Year to improve lift maintenance and management, and to develop and expand its building intelligence business. To save costs and boost efficiency, the Group piloted self-operated and integrated greening operations that required a high level of expertise. At the same time, the Group has entered into a collaboration agreement with the Guangzhou Institute of Energy Conversion, Chinese Academy of Sciences to work together to advance green property management through the development of low-carbon space and environmental protection-promoting solutions.

In addition, in order to address customer concerns, the Group carried out a thorough investigation of various core operational issues, in order to improve service quality. The Group implemented the "Request Response" campaign throughout the Year, with employees using WeCom to shorten response time to customer requests – the overall response rate reached 91%, marking an improvement of 11 percentage points from the Previous Year. The Group also developed the "Clean Community" initiative, arranging collaborative inspections and environmental trainings to comprehensively improve the level of environmental quality management – as a result, the number of sanitary complaints decreased significantly.

The Group continued enhancing its intelligence infrastructure. In order to increase operational efficiency and enhance customer experience, the Group has effectively digitalized its core business activities. Additionally, the Group has enhanced its project assessment and evaluation system – and in particular, prioritising quality and satisfaction evaluations. This enabled the Group to assess operational performance and project quality from a more objective and scientific standpoint.

According to a survey conducted by a third-party research institution, the overall satisfaction score from residential property customers of the Group, remained high at 91. The overall satisfaction score from commercial property customers of the Group, also remained high at 99.9.

### ENHANCING VALUE-ADDED SERVICES TO DRIVE DIVERSIFIED BUSINESS DEVELOPMENT

In order to support the professional and diversified development of its five value-added services – new retail, property agency, community commercial services, home decoration, and intelligence – the Group concentrated on community operations and product competitiveness taking advantage of the synergies among its various business streams during the Year. As a result, the Group's value-added business operation improved significantly and experienced substantial growth during the Year.

For new retail business, the Group has continued to optimize its product offerings around customer demand. The Group experimented with new channels such as live broadcasts and residents' sporting events, as well as innovative community-focused businesses such as themed markets and lifestyle centres, resulting in a substantial boost in average household sales.

For property agency business, the Group intensified channel-related efforts while further improving store coverage and community penetration. The Group's market share and operating efficiency improved continuously as revenue from leasing and sales of existing properties increased significantly during the Year. The Group has also introduced the "Worry-Free" product line to broaden its commercial offerings to cover apartment entrustment.

For community commercial services, the Group focused on improving its capabilities in operating and managing existing properties. The Group saw gross floor area ("**GFA**") under management, occupancy rate and rental level all increased in spite of the downward market trends. The Group also enriched its community operation model by developing diversified businesses, such as clubs, community groups, and recreational activities.

For home decoration business, the Group has improved its promotion strategy by constructing real-life model units, by conducting research and development based on standard housing types. Additionally, the Group continued to grow its self-operated turnkey furnishing businesses.

For intelligence business, the Group has focused on improving delivery and service quality by optimizing the supply chain, elevating the standard of project management and creating multiple benchmark intelligent projects, all with the aim of improving customer satisfaction.

### DIVERSIFYING BUSINESS EXPANSION TO ACHIEVE QUALITY SCALE DEVELOPMENT

During the Year, the Group further optimized its market bidding system by strengthening front-end evaluation and regulating post-bid management, clarifying standards for its core businesses (residential properties, commercial properties, mass transportation, and urban services), enhancing qualification requirements, and issuing standard operating procedures and operation manuals. It also focused on core cities by optimising city selection guidelines, improved the quality of expansion projects through the development of external expansion benchmark projects and the establishment of a systematic assessment system. In addition to market expansion, the Group increased channel efforts, improved communications with partners and improved joint venture cooperation models, all with the aim of completing high-quality projects.

During the Year, the Group won bids for various TOD property management service projects, including Fuzhou Metro Line 4 and Zhengzhou Metro Line 12, as it establishes a national TOD project footprint. Furthermore, the Group won bids for a number of landmark projects during the Year, including the Memorial Museum of Generalissimo Sun Yat-sen's Mansion in Guangzhou (廣州孫中山大元帥府紀念館), the Guangdong Rural Credit Data Centre in Foshan (佛山廣東農信數據中心), and the Ezhou International Convention and Exhibition Centre (鄂州國際會展中心) – demonstrating the benefits of its core business types and effectively enhancing its reputation.

In 2023, the Group signed contracts for 113 new projects, adding a total contractual GFA of 15.4 million sq.m.. As at 31 December 2023, it had 408 projects under management with a total GFA of 65.2 million sq.m., and was contracted to manage 476 projects with a contracted GFA of 83.4 million sq.m.. The Group has gradually expanded its nationwide market coverage, with contracted projects in 49 cities (including Hong Kong) – it has focused on the Guangdong-Hong Kong-Macau Greater Bay Area (the "**Greater Bay Area**") as its primary market and with significant business presences throughout China.

# CHAIRMAN'S STATEMENT

In addition to its property management business, the Group has actively expanded its value-added services in order to increase its scope of business. During the Year, it expanded the community commercial business to include external projects such as Tongde Plaza (同德廣場) in Guangzhou and Suxufang (蘇胥坊) in Suzhou – recognising the Group's business planning capabilities as it continued to promote its "Living Fun (悦匯時光)" brand throughout China. The Group also continued to extend its intelligence business to cover different business types through external expansion, including smart campuses, smart hospitals, and smart commercial complex.

## AWARDS AND RECOGNITIONS

In 2023, the China Index Academy ranked the Group "TOP14 among the 2023 TOP100 Property Management Companies in China (2023中國物業服務百強企業TOP14)" and "2023 China TOP10 Listed Property Management Companies in terms of Comprehensive Strength (2023中國物業服務上市公司綜合實力TOP10)". MSCI Inc. ("**MSCI**") elevated the Group's ESG rating to A, the highest rating offered to property management companies in Mainland China. The Group earned numerous other recognitions during the Year, including the "Excellence in ESG Governance Award (卓越ESG管治表現大獎)" and "Excellence in ESG Social Sustainability Award (卓越ESG社會表現大獎)" from Ming Pao in Hong Kong.

## OUTLOOK

Looking forward, with increasing demand from customers, property management companies are returning to a focus on service, which includes enhancing customer satisfaction, establishing brand trust and enriching service types, with the aim of seeking breakthroughs in diversifying business through differentiated competitive edges. The property management industry has a bright future and is expected to maintain steady and high-quality development.

In 2024, the Group will adhere to "raising quality with devoted services and creating benefits through lean management" to strengthen investment in core services, enhance market competitiveness to create more room for development.

## CONSOLIDATING SERVICE QUALITY TO STRENGTHEN CUSTOMER RECOGNITION

The Group will implement a cutting-edge project service system to improve customer service perception, respond quickly to customer demands, and organize specific improvements. It will improve business efficiency by achieving a balance between service quality and economic benefits through the use of digital intelligence. It will also continue to develop the product systems and service standards for its various businesses, provide integrated solutions, and increase its brand influence and reputation.

At the end of 2023, the relevant regulators in Guangzhou issued the "Notice on Further Regulating Residential Property Service Charges and Other Related Issues in Guangzhou" (the "**Notice**"), emphasising that property management service charges shall be subject to government-guided prices and market-regulated prices, respectively, depending on the nature and characteristics of different properties, and clarifying the different situations in which property service charging standards may have been exceeded. The Group believes that the Notice will help to regulate the industry's charging standards and promote the industry's healthy development. The Group will provide property management services in accordance with the Policy and other relevant guidelines, and at competitive rates.

## FOCUSING ON REGIONAL PENETRATION TO PURSUE QUALITY SCALE DEVELOPMENT

To increase its competitive edge, the Group will significantly strengthen its investment and development capability, with a focus on the four major areas of residential properties, commercial properties, mass transportation, and urban services. It will increase its presence in relevant cities, improve economies of scale and pursue quality expansion. At the same time, it will carefully choose cooperation partners, cautiously consider mergers and acquisitions activities, and pursue quality scale development.

## ENHANCING VALUE-ADDED SERVICE CAPABILITIES TO ACHIEVE OPERATIONAL INNOVATION

The Group will conduct in-depth research on the demands and requirements of customers, businesses, and the government. With customers' trust built through day-to-day operations, the Group will provide community operation and home living services that aim to make life convenient for our customers. It will expedite the development of professional and Integrated Facility Management ("**IFM**") service skills required by government and corporate customers, as well as seek and cultivate new business sectors to support the implementation of its "property+" diversified business model.

The Group maintains robust operations and a net inflow of operating cash flow, with cash on hand continuing to increase. In addition to maintaining a prudent cash management strategy, the Group will also actively explore business innovation and expansion to further improve the capital efficiency.

While promoting high-quality corporate development, the Group also prioritises sustainability management. It actively takes on corporate social responsibility and fulfils its obligations as a state-owned enterprise, aiming to maximize the overall value of the economy, society, and environment.

The Group will maintain a long-term view, increasing customer satisfaction and brand awareness by providing high-quality services and goods, in order to reinforce its core competitiveness and become the customers' trusted service company.

## ACKNOWLEDGEMENTS

We would like to extend our sincere gratitude to our shareholders, partners, and customers for their support, as well as to all of our employees for their hard work and dedication, which have contributed to the Group's success and growth.

**Mr. Lin Feng**
*Chairman of the Board*

# MANAGEMENT DISCUSSION AND ANALYSIS

# MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### OVERVIEW

The Group is one of the leading property management companies in the Greater Bay Area. The Group is committed to providing diversified and integrated services across a wide range of properties, including residential properties, shopping malls, office buildings, public amenities, urban railways, metro stations and metro depots. Its primary businesses are:

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

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

As of 31 December 2023, the Group:

- had 476 (31 December 2022: 387) contracted projects, with a total GFA of 83.4 million sq.m. (31 December 2022: 70.6 million sq.m.), representing a year-on-year increase of 18.2% in contracted GFA; and
- had 408 (31 December 2022: 323) projects under management, with a total GFA under management of 65.2 million sq.m. (31 December 2022: 51.7 million sq.m.), representing a year-on-year increase of 26.2% in GFA under management.

The table below sets forth the change in the Group's number of contracted projects and projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---|---|---|---|---|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| **Total projects** | **476** | **408** | 387 | 323 |

The table below sets forth the change in the Group's contracted GFA and GFA under management for the periods indicated.

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Contracted GFA[1] | GFA under management[2] | Contracted GFA | GFA under management |
| | (sq.m. in thousands) | | (sq.m. in thousands) | |
| As of the beginning of the year | **70,597** | **51,689** | 58,384 | 38,872 |
| New engagements | **15,377** | **16,048** | 12,300 | 13,245 |
| Acquisitions | **46** | **46** | 787 | 446 |
| Terminations | **(2,572)** | **(2,572)** | (874) | (874) |
| **As of the end of the year** | **83,448** | **65,211** | 70,597 | 51,689 |

*Notes:*

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

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

As of 31 December 2023, projects contracted to be managed by the Group covered 49 cities (including Hong Kong) in the People's Republic of China ("**PRC**"). The table below sets forth a geographical breakdown of the Group's contracted GFA and GFA under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---|---|---|---|---|
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| | (sq.m. in thousands) | | (sq.m. in thousands) | |
| Greater Bay Area | **46,790** | **35,899** | 44,946 | 32,316 |
| East China Region | **10,815** | **8,384** | 9,111 | 7,848 |
| Central China Region | **11,005** | **8,873** | 8,039 | 5,592 |
| North China Region | **9,101** | **7,823** | 5,098 | 3,786 |
| West China Region | **5,737** | **4,232** | 3,403 | 2,147 |
| **Total** | **83,448** | **65,211** | 70,597 | 51,689 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## NON-COMMERCIAL PROPERTY MANAGEMENT AND VALUE-ADDED SERVICES

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

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

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

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

As of 31 December 2023, the Group:

- had 385 (31 December 2022: 327) contracted non-commercial projects, with a contracted GFA of 75.7 million sq.m. (31 December 2022: 64.8 million sq.m.); and

- had 331 (31 December 2022: 269) non-commercial projects under management, with a GFA under management of 59.3 million sq.m. (31 December 2022: 47.6 million sq.m.).

The table below sets forth the change in the Group's contracted non-commercial projects and non-commercial projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---|---|---|---|---|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| Non-commercial projects | 385 | 331 | 327 | 269 |

The table below sets forth the Group's contracted GFA and GFA under management of non-commercial projects as of the dates indicated.

| | As of 31 December 2023 (sq.m. in thousands) | | As of 31 December 2022 (sq.m. in thousands) | |
|---|---|---|---|---|
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| Non-commercial projects | 75,660 | 59,271 | 64,799 | 47,588 |

For the Year, the average property management fee of residential projects remained stable at RMB2.7/sq.m./month (Previous Year: RMB2.7/sq.m./month).

The table below sets forth the Group's average property management fee of residential projects for the periods indicated.

| | Year ended 31 December | |
|---|---|---|
| | 2023 (RMB/sq.m./month) | 2022 (RMB/sq.m./month) |
| Residential projects | 2.7 | 2.7 |

### COMMERCIAL PROPERTY MANAGEMENT AND OPERATIONAL SERVICES

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

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

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

As of 31 December 2023, the Group:

- had 91 (31 December 2022: 60) contracted commercial projects, with a contracted GFA of 7.8 million sq.m. (31 December 2022: 5.8 million sq.m.); and

- had 77 (31 December 2022: 54) commercial projects under management, with a GFA under management of 5.9 million sq.m. (31 December 2022: 4.1 million sq.m.).

# MANAGEMENT DISCUSSION AND ANALYSIS

The table below sets forth the change in the Group's number of contracted commercial projects and commercial projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---|---|---|---|---|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| Commercial projects | 91 | 77 | 60 | 54 |

The table below sets forth the Group's contracted GFA and GFA under management in its commercial projects as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---|---|---|---|---|
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| | (sq.m. in thousands) | | (sq.m. in thousands) | |
| Commercial projects | 7,788 | 5,940 | 5,798 | 4,101 |

For the Year, the average management fee for office buildings and shopping malls remained stable at RMB19.7/sq.m./month (Previous Year: RMB21.0/sq.m./month) and RMB35.7/sq.m./month (Previous Year: RMB37.0/sq.m./month) respectively.

The table below sets forth the Group's average property management fee at commercial projects for the periods indicated.

| | Year ended 31 December | |
|---|---|---|
| | 2023 (RMB/sq.m./month) | 2022 (RMB/sq.m./month) |
| Office buildings | 19.7 | 21.0 |
| Shopping malls | 35.7 | 37.0 |

## FINANCIAL REVIEW

### REVENUE

For the Year, the Group's revenue amounted to RMB3,223.6 million (Previous Year: RMB2,486.2 million), representing a year-on-year increase of 29.7%. The increase in the Group's revenue for the Year was mainly due to the increases in revenue from non-commercial property management and value-added services, as detailed below.

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **RMB'000** | **%** | RMB'000 | % |
| Non-commercial property management and value-added services | **2,630,117** | **81.6** | 1,941,105 | 78.1 |
| Commercial property management and operational services | **593,514** | **18.4** | 545,100 | 21.9 |
| **Total** | **3,223,631** | **100.0** | 2,486,205 | 100.0 |

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2023** | | 2022 | |
| | **RMB'000** | **%** | RMB'000 | % |
| GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties [(1)] | **1,298,583** | **40.3** | 1,041,609 | 41.9 |
| Independent third parties[(2)] | **1,925,048** | **59.7** | 1,444,596 | 58.1 |
| **Total** | **3,223,631** | **100.0** | 2,486,205 | 100.0 |

*Notes:*

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

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

# MANAGEMENT DISCUSSION AND ANALYSIS

During the Year, the Group generally provided property management services to Independent Third Party customers – who were property owners, residents, tenants, property owners' associations and property developers after the delivery of properties by property developers which were GZYX and Yuexiu Property and their respective joint ventures, associates or other related parties or Independent Third Parties. During the Year, the Group's revenue received from GZYX, Yuexiu Property and their respective joint ventures, associates or other related parties amounted to RMB1,298.6 million, representing an increase by RMB257.0 million or 24.7% as compared to RMB1,041.6 million for the Previous Year. Such increase was mainly attributable to the continuous business expansion of collaborating property developers and their continued engagement of the Group's services.

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | RMB'000 | % | RMB'000 | % |
| Mainland China | 3,136,431 | 97.3 | 2,411,562 | 97.0 |
| Hong Kong | 87,200 | 2.7 | 74,643 | 3.0 |
| **Total** | 3,223,631 | 100.0 | 2,486,205 | 100.0 |

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

For the Year, revenue from non-commercial property management and value-added services amounted to RMB2,630.1 million (Previous Year: RMB1,941.1 million), representing a year-on-year increase of 35.5%. The increase was mainly attributable to the following factors:

(i) the increase in the number of non-commercial projects under its management to 331 from 269 and the GFA under management to 59.3 million sq.m. from 47.6 million sq.m., respectively as of 31 December 2023 as compared to 31 December 2022;

(ii) revenue from value-added services to non-property owners increased from RMB479.4 million for the Previous Year to RMB669.3 million for the Year, representing an increase of 39.6%. Such increase was mainly attributable to the increase in revenue from services such as preliminary planning and design consultancy services, in line with the continuous expansion of the business of collaborating property developers, and the steady increase in the provision of intelligent services launched in 2022; and

(iii) revenue from community value-added services increased from RMB650.0 million for the Previous Year to RMB931.8 million for the Year, representing an increase of 43.3% and making it the fastest-growing business of the Group. Such increase was mainly attributable to the increase in customer base as a result of the expansion of GFA under management of non-commercial properties and the diversification of community user services offered to customers.

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | RMB'000 | % | RMB'000 | % |
| Property management services | 1,029,024 | 39.1 | 811,692 | 41.8 |
| Value-added services to non-property owners | 669,295 | 25.5 | 479,370 | 24.7 |
| Community value-added services | 931,798 | 35.4 | 650,043 | 33.5 |
| **Total** | 2,630,117 | 100.0 | 1,941,105 | 100.0 |

### *(II) Commercial property management and operational services*

For the Year, revenue from commercial property management and operational services amounted to RMB593.5 million (Previous Year: RMB545.1 million), representing a year-on-year increase of 8.9%. The increase was mainly attributable to the increase in number of commercial projects under its management to 77 from 54 and the GFA under management to 5.9 million sq.m. from 4.1 million sq.m., respectively, as of 31 December 2023 as compared to 31 December 2022.

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | RMB'000 | % | RMB'000 | % |
| Commercial operation and management services | 486,174 | 81.9 | 423,475 | 77.7 |
| Market positioning consultancy and tenant sourcing services | 107,340 | 18.1 | 121,625 | 22.3 |
| **Total** | 593,514 | 100.0 | 545,100 | 100.0 |

# MANAGEMENT DISCUSSION AND ANALYSIS

## COST OF SALES

The Group's cost of sales represent costs and expenses directly attributable to the provision of its services, which mainly comprises staff costs, subcontracting costs, cost of goods sold, maintenance costs and depreciation and amortisation. For the Year, the Group's cost of sales was RMB2,367.0 million (Previous Year: RMB1,806.8 million), representing a year-on-year increase of 31.0%. The increase in cost of sales was mainly attributable to the expansion of the GFA under management and business scale during the Year and the resulting increase in various types of costs with the diversification of value-added services.

For the Year, staff costs under cost of sales amounted to RMB827.6 million (Previous Year: RMB776.5 million), representing a year-on-year increase of 6.6%.

## GROSS PROFIT AND GROSS PROFIT MARGIN

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

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | 2023 | | 2022 | |
| | Gross profit RMB'000 | Gross profit margin % | Gross profit RMB'000 | Gross profit margin % |
| **Non-commercial property management and value-added services** | | | | |
| – Property management services | 165,397 | 16.1 | 133,405 | 16.4 |
| – Value-added services to non-property owners | 198,547 | 29.7 | 153,926 | 32.1 |
| – Community value-added services | 304,587 | 32.7 | 213,709 | 32.9 |
| **Sub-total** | 668,531 | 25.4 | 501,040 | 25.8 |
| **Commercial property management and operational services** | | | | |
| – Commercial operation and management services | 143,023 | 29.4 | 125,501 | 29.6 |
| – Market positioning consultancy and tenant sourcing services | 45,073 | 42.0 | 52,900 | 43.5 |
| **Sub-total** | 188,096 | 31.7 | 178,401 | 32.7 |
| **Total** | 856,627 | 26.6 | 679,441 | 27.3 |

The overall gross profit margin of the Group is primarily affected by its business mix, average property management fee rates it charges for property management services, geographic concentration of GFA under management and cost control capabilities. The Group's gross profit increased from RMB679.4 million for the Previous Year to RMB856.6 million for the Year. The overall gross profit margin of the Group decreased from 27.3% for the Previous Year to 26.6% for the Year.

The gross profit margin for non-commercial property management and value-added services decreased slightly from 25.8% for the Previous Year to 25.4% for the Year, mainly due to the Group's active expansion of business scale and development of diversified value-added services, some of which are still in the growth stage, resulting in a slight decrease in the overall gross profit margin for this segment.

The gross profit margin for commercial property management and operational services decreased from 32.7% for the Previous Year to 31.7% for the Year, primarily due to the pricing of market positioning and management consultancy services with reference to factors such as occupancy rate and rental rate. As the occupancy rates of the newly opened projects stabilised, the average gross profit margin slightly decreased during the Year.

### ADMINISTRATIVE EXPENSES

Administrative expenses of the Group mainly comprise staff costs, consultancy fees, depreciation and amortisation charges, travelling and entertainment expenses, and bank charges. For the Year, administrative expenses of the Group amounted to RMB279.3 million, representing an increase of 32.4% as compared to that of RMB210.9 million for the Previous Year.

### OTHER INCOME

Other income of the Group primarily consists of additional value-added tax deduction and government grants. For the Year, other income of the Group amounted to RMB19.6 million (Previous Year: RMB24.8 million).

### OTHER (LOSSES)/GAINS – NET

Net other gains of the Group primarily consist of net foreign exchange gains. For the Year, the Group had net other losses of RMB4.3 million (Previous Year: net other gains of RMB14.4 million). Foreign exchange losses of RMB5.1 million were recorded for the Year.

# MANAGEMENT DISCUSSION AND ANALYSIS

### FINANCE INCOME – NET

Net finance income of the Group consists of interest income from bank deposits and interest expense of lease liabilities. For the Year, net finance income amounted to RMB102.0 million (Previous Year: net finance income of RMB71.7 million), representing a year-on-year increase of 42.4%, primarily due to the Group's effective management and utilisation of cash, which led to higher return.

### INCOME TAX EXPENSES

For the Year, income tax expenses of the Group were RMB187.3 million (Previous Year: RMB151.6 million), representing a year-on-year increase of 23.6%, which was in line with the growth in profit before income tax.

### PROFIT FOR THE YEAR

For the Year, net profit of the Group amounted to RMB499.9 million (Previous Year: RMB424.4 million), representing a year-on-year increase of 17.8%. Net profit margin for the Year was 15.5%, representing a decrease of 1.6 percentage points as compared to that of 17.1% for the Previous Year, mainly attributable to the Group's business structure adjustment and changes in foreign exchange gains and losses.

### PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

During the Year, profit attributable to owners of the Company was RMB487.0 million (Previous Year: RMB416.1 million), representing a year-on-year increase of 17.0%.

### BASIC EARNINGS PER SHARE

In the Year, basic earnings per share attributable to the owners of the Company (based on the weighted average number of ordinary Shares in issue) amounted to RMB0.32 (Previous Year: RMB0.27).

### FINAL DIVIDEND

The Board has proposed the payment of a final dividend of HKD0.087 per Share (equal to RMB0.079 per Share) for the Year (2022: HKD0.109 per Share which was equivalent to RMB0.097 per Share). Together with the interim dividend of HKD0.089 per Share which was equivalent to approximately RMB0.081 per Share, total dividends for the year ended 31 December 2023 amounted to HKD0.176 per Share which was equivalent to approximately RMB0.16 per Share. The record date for the entitlement of the shareholders of the Company (the "**Shareholders**") to the final dividend will be on Thursday, 20 June 2024, and the payment date for the final dividend will be on or about Friday, 5 July 2024, subject to the approval of Shareholders at the forthcoming annual general meeting of the Company. Dividends payable to Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

## FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

As of 31 December 2023, the Group had financial assets at fair value through other comprehensive income of RMB33.6 million (31 December 2022: RMB32.2 million), which comprised the Group's investments in:

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

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

(iii) 10% equity interests of Guangzhou Yuebang Enterprise Management Co., Ltd. (廣州越邦企業管理有限公司), which is principally engaged in provision of human resources services, labour dispatch services and other related services.

## TRADE RECEIVABLES

The Group's trade receivables decreased to RMB573.5 million as of 31 December 2023 from RMB603.6 million as of 31 December 2022, representing a decrease of 5.0%, which was mainly attributable to the Group's continuous development of its businesses while proactively strengthening management and control in collecting receivables for the Year.

## OTHER RECEIVABLES

The Group's other receivables mainly comprise property management costs recoverable, payments on behalf of residents and tenants and guarantee deposits paid in relation to the provision of property management services. The Group's other receivables increased to RMB393.2 million as of 31 December 2023 from RMB336.5 million as of 31 December 2022, representing an increase of 16.8%, mainly due to the growth of business scale.

## TRADE PAYABLES

The Group's trade payables increased to RMB399.3 million as of 31 December 2023 from RMB353.1 million as of 31 December 2022, representing an increase of 13.1%, mainly due to the continuous business expansion of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

### OTHER PAYABLES

The Group's other payables primarily consist of advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under a commission basis, and performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants, accrued payroll liabilities and other tax payables. The Group's other payables as of 31 December 2022 and 31 December 2023 were RMB1,233.5 million and RMB1,362.6 million, respectively. The increase in the Group's other payables was mainly due to business expansion during the Year.

### LIQUIDITY AND CAPITAL RESOURCES

The Group finances its working capital mainly by its cash and cash equivalents, cashflows from its operating activities and a portion of the proceeds from the Global Offering (as defined below). The Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has consistently maintained stable financial condition and sufficient liquidity. The Group's net current assets as of 31 December 2023 amounted to RMB3,208.5 million (31 December 2022: RMB3,397.1 million), representing a decrease of 5.6%, mainly attributable to the increase in trade and other payables as a result of the Group's comprehensive management and control in payment schedule during the course of the Group's continuous business expansion.

As of 31 December 2023, the Group's cash and cash equivalents amounted to RMB4,695.2 million (31 December 2022: RMB4,360.8 million). The increase was mainly attributable to the increments from operating activities.

As of 31 December 2023, the Group had no bank borrowings (31 December 2022: Nil) or loans from related parties (31 December 2022: Nil) or amounts due to related parties (31 December 2022: Nil).

The gearing ratio is calculated based on total bank borrowings divided by total equity, multiplied by 100%. Since the Group had no bank borrowings as of 31 December 2022 and 31 December 2023, the gearing ratios as of both aforesaid dates were nil.

### PROCEEDS FROM THE GLOBAL OFFERING

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

After deducting the underwriting fees and commissions, incentive fee and other relevant expenses, the net proceeds from the Global Offering and the exercise of the Over-allotment Option amounted to HKD1,961.3 million (equivalent to RMB1,632.0 million). After careful consideration and detailed evaluation of the Group's operations and business strategy, the Group had resolved to change the use of the unutilised net proceeds. As of 31 December 2023, details of the use of the Group's net proceeds are as follows:

| Category | Intended use of proceeds RMB'000 | Percentage of total proceeds % | Actual use of proceeds up to 31 December 2023 RMB'000 | Unutilised proceeds up to 31 December 2023 RMB'000 | Intended use of unutilised proceeds up to 31 December 2023 RMB'000 | Expected timeline for the intended use |
|---|---|---|---|---|---|---|
| Strategic acquisitions and investments | 979,200 | 60 | 15,476 *(Note 1)* | 963,724 | 505,028 | By end of 2026 |
| Further development of the Group's value-added services | 244,800 | 15 | 53,343 | 191,457 | 288,587 | By end of 2026 |
| Developing information technology systems and smart communities | 244,800 | 15 | 19,781 | 225,019 | 216,441 | By end of 2026 |
| Replenishing working capital and for general corporate purposes | 163,200 | 10 | 100,463 | 62,737 | 288,587 | By end of 2026 |
| Promoting ESG development | — | — | — | — | 144,294 | By end of 2026 |
| **Total** | 1,632,000 | 100% | 189,063 | 1,442,937 | 1,442,937 | |

Note:

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

The unutilised proceeds are expected to be utilised in accordance with the purposes set out in the amended resolution and are currently held as bank deposits denominated in RMB as the conversion to RMB of which has been basically completed.

# MANAGEMENT DISCUSSION AND ANALYSIS

## PLEDGE OF ASSETS

As of 31 December 2023, no assets of the Group were pledged as securities for liabilities.

## MAJOR ACQUISITION AND DISPOSALS

During the Year, the Company did not have any major acquisition or disposal of subsidiaries and associates.

## MAJOR INVESTMENTS

As of 31 December 2023, the Group did not hold any significant investment.

## CONTINGENT LIABILITIES

As of 31 December 2023, the Group did not have any material contingent liabilities.

## CAPITAL COMMITMENT AND CAPITAL EXPENDITURE

As of 31 December 2023, the Group did not have any capital commitment.

The Group's capital expenditure for the year 2024 is expected to be financed by proceeds from the Global Offering and working capital generated from the operating activities of the Group.

## RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

The Group recognises its employees as valuable assets, and strives to continue to be an attractive employer for committed employees. The Group is committed to motivating its employees with a clear career path and trainings for advancement and improvement of their skills. As at 31 December 2023, the Group had a total of 13,743 full time employees in the PRC and Hong Kong, the PRC. Total staff costs for the Year amounted to RMB1,028.2 million.

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

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

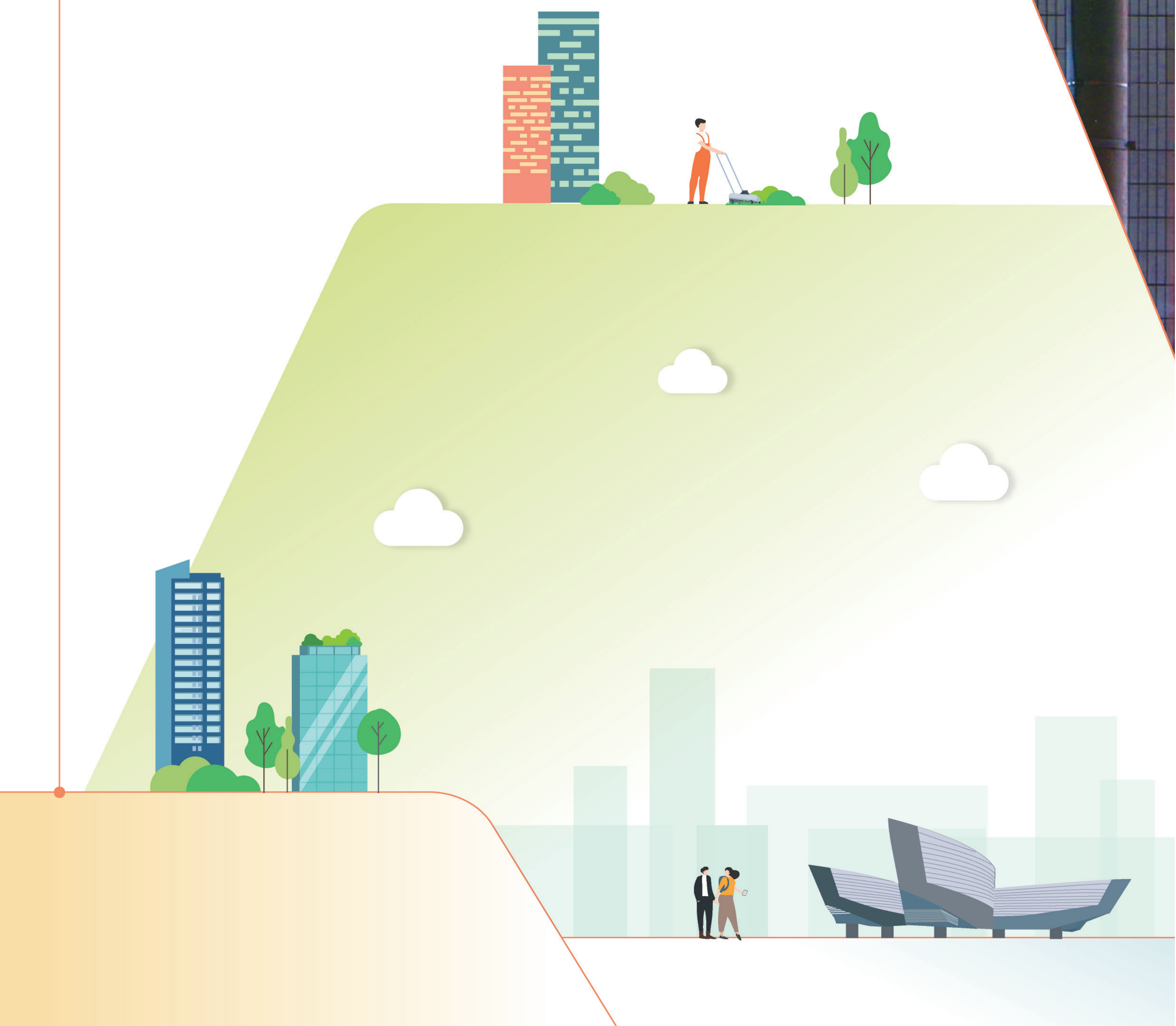
During the Year, there was no material and significant dispute between the Group and its suppliers, subcontractors and/or customers.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG") POLICY

The Board attaches great importance to sustainability management. In accordance with the requirements of the Environmental, Social and Governance Reporting Guide set out in Appendix C2 (formerly known as Appendix 27) to the Listing Rules, the Company has established an effective sustainability management system, improved the Group's sustainability governance structure and strengthened the supervision and participation of the Board in the Group's ESG affairs.

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

# CORPORATE GOVERNANCE REPORT




1810
1727

# CORPORATE GOVERNANCE REPORT

## CORPORATE GOVERNANCE PRACTICES

The Company has always valued the importance of having a sound system of corporate governance and is committed to continuously improving its corporate governance and disclosure practices. During the Year, the Company has complied with all code provisions as set out in Part 2 of Appendix C1 (formerly known as Appendix 14) to the Listing Rules.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") in Appendix C3 (formerly known as Appendix 10) to the Listing Rules as the code of conduct for the Directors in their dealings in the Company's securities. Having made specific enquiries with each Director, the Company confirmed that the Directors had complied with the required standard as set out in the Model Code during the Year.

## BOARD OF DIRECTORS

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

Unless otherwise stated below, the Directors in office during the Year and up to the date of this report (18 March 2024) were as follows:

### NON-EXECUTIVE DIRECTORS

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

### EXECUTIVE DIRECTORS

Mr. Zhang Jianguo
Mr. Mao Liangmin (resigned on 28 August 2023)
Mr. Zhang Chenghao (appointed on 28 August 2023)
Mr. Zhang Jin

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hung Shing Ming
Ms. Hui Lai Kwan
Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023)
Mr. Leung Yiu Man (appointed on 28 August 2023)

### APPOINTMENT AND RE-ELECTION OF DIRECTORS DURING THE YEAR AND UP TO THE DATE OF THIS REPORT

Mr. Mao Liangmin resigned as an executive Director on 28 August 2023 and on the same date, Mr. Zhang Chenghao was appointed as an executive Director.

Mr. Chan Yuen Hang Kenneth resigned as an independent non-executive Director on 28 August 2023 and on the same date, Mr. Leung Yiu Man was appointed as an independent non-executive Director.

Regarding the details of service contracts of the executive Directors, Mr. Zhang Jin entered into a service contract with the Company for an initial term of three years commencing from the Listing Date; and Mr. Zhang Jianguo and Mr. Zhang Chenghao each entered into a service contract with the Company for an initial term of three years commencing from 23 February 2022 and 28 August 2023, respectively.

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

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

Pursuant to article 110 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following annual general meeting of the Company (the "**AGM**") and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the Directors or the number of Directors who are to retire by rotation at such meeting.

Pursuant to article 111(a) of the Articles of Association, at each AGM, one-third of the Directors for the time being (excluding the Directors eligible for re-election at that meeting pursuant to article 110 of the Articles of Association), or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance (Chapter 622 of the laws of Hong Kong) ("**Companies Ordinance**"), the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, (i) Mr. Zhang Jin (an executive Director) and Mr. Yang Zhaoxuan (a non-executive Director) will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM; and (ii) Mr. Zhu Huisong*, Mr. Zhang Chenghao and Mr. Leung Yiu Man will hold office until the forthcoming AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

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

* Mr. Zhu Huisong was appointed as the Chairman and a non-executive Director of the Company on 24 April 2024. Please refer to the announcement of the Company dated 24 April 2024 for further details.

# CORPORATE GOVERNANCE REPORT

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

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

## RESPONSIBILITIES, ACCOUNTABILITIES AND CONTRIBUTIONS OF THE BOARD AND MANAGEMENT

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

## BOARD INDEPENDENCE

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

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

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

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

## BOARD MEETINGS AND GENERAL MEETINGS

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

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

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

Notes:

1. Mr. Mao Liangmin resigned as an executive Director on 28 August 2023 and on the same date, Mr. Zhang Chenghao was appointed as an executive Director.

2. Mr. Chan Yuen Hang Kenneth resigned as an independent non-executive Director on 28 August 2023 and on the same date, Mr. Leung Yiu Man was appointed as an independent non-executive Director.

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

# CORPORATE GOVERNANCE REPORT

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

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

### CHAIRMAN AND CHIEF EXECUTIVE OFFICER

During the Year, the position of the chairman of the Board was held by Mr. Lin Feng while the position of the Chief Executive Officer was held by Mr. Zhang Jianguo.

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

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

### DIRECTORS' TRAINING

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

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and members of senior management are encouraged to participate in continuous professional development relating to the Listing Rules, Companies Ordinance and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, the Directors are provided with written training materials to develop and refresh their professional knowledge and skills. The Directors received training on post-listing continuous obligations compliance organised by the Company's Hong Kong legal adviser in June 2023.

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

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

| | Relating to responsibilities under and updates on laws, rules & regulations, corporate governance matters and anti-corruption | |
|---|---|---|
| | Read materials | Attended seminars/ trainings/ briefings |
| **Non-executive Directors** | | |
| Mr. Lin Feng (Chairman of the Board) | ✓ | ✓ |
| Mr. Yao Xiaosheng | ✓ | ✓ |
| Mr. Yang Zhaoxuan | ✓ | ✓ |
| **Executive Directors** | | |
| Mr. Zhang Jianguo | ✓ | ✓ |
| Mr. Mao Liangmin (resigned on 28 August 2023) | ✓ | ✓ |
| Mr. Zhang Chenghao (appointed on 28 August 2023) | ✓ | ✓ |
| Mr. Zhang Jin | ✓ | ✓ |
| **Independent non-executive Directors** | | |
| Mr. Hung Shing Ming | ✓ | ✓ |
| Ms. Hui Lai Kwan | ✓ | ✓ |
| Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) | ✓ | ✓ |
| Mr. Leung Yiu Man (appointed on 28 August 2023) | ✓ | ✓ |

## ACCOUNTABILITY AND AUDIT

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

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

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

# CORPORATE GOVERNANCE REPORT

The statement of the external auditor of the Company about their reporting responsibilities on the financial statements is set out in the "Independent Auditor's Report" on pages 95 to 194.

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

## RISK MANAGEMENT AND INTERNAL CONTROL

Further details of the Group's risk management measures and internal control system are set out in the "Risk Management Report" on pages 89 to 94.

## INSIDE INFORMATION

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

## DIVIDEND POLICY

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

## BOARD COMMITTEES AND CORPORATE GOVERNANCE FUNCTIONS

During the Year, the Board, assisted by five committees, namely the Audit Committee, the Remuneration Committee, the Nomination Committee, the Investment Committee and the ESG Committee, continued to assess business development needs of the Group and oversee the relevant aspects of the Group's affairs. The Board Committees were provided with sufficient resources to discharge their duties.

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

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

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

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

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

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

## AUDIT COMMITTEE

The Audit Committee was established on 1 February 2021 with terms of reference in compliance with Rule 3.21 of the Listing Rules and the Corporate Governance Code. During the Year and up to the date of this report, the Audit Committee consisted of three members, namely Ms. Hui Lai Kwan, Mr. Hung Shing Ming, Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) and Mr. Leung Yiu Man (appointed on 28 August 2023). Ms. Hui Lai Kwan was the chairlady of the Audit Committee.

None of the members of the Audit Committee had acted as a member of the former or existing auditors of the Company. The Board is of the view that the members of the Audit Committee have sufficient accounting and financial management expertise and experience to discharge their duties. In addition, the Audit Committee has access to external legal or other independent professional advice if it considers necessary.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

1) reviewed the Group's annual results for the year ended 31 December 2022;

2) reviewed the Group's interim results for the six months ended 30 June 2023;

3) reviewed the audit findings of the external auditor;

4) reviewed the independence and objectivity of the new external auditor; and

5) made recommendation to the Board on the appointment and remuneration of the new external auditor.

The Audit Committee had also reviewed the risk management and internal control systems of the Group as well as considered and identified risks of the Group subsequent to 31 December 2023 and will continuously monitor the systems on a regular basis.

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

The Company's annual results announcement dated 18 March 2024 for the Year was reviewed by the Audit Committee.

## NOMINATION COMMITTEE

The Nomination Committee was established on 1 February 2021 with written terms of reference in compliance with the Corporate Governance Code. During the Year and up to the date of this report, the Nomination Committee consisted of five members, namely Mr. Lin Feng, Mr. Zhang Jianguo, Ms. Hui Lai Kwan, Mr. Hung Shing Ming, Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) and Mr. Leung Yiu Man (appointed on 28 August 2023). Mr. Lin Feng was the chairman of the Nomination Committee.

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

## BOARD DIVERSITY POLICY

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

During the Year, members of the Nomination Committee (i) reviewed the structure, size and composition (including, but not limited to, the skills, knowledge and experience) of the Board, (ii) reviewed the independence of the independent non-executive Directors; (iii) evaluated the Directors' time commitment and contribution for performing their duties; (iv) assessed the independence of Mr. Leung Yiu Man as a proposed independent non-executive Director; and (v) made recommendations to the Board in respect of the appointment of Mr. Zhang Chenghao as an executive Director and Mr. Leung Yiu Man as an independent non-executive Director.

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

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

The Group has also taken, and continues to take, steps to promote diversity at all levels of its workforce. Opportunities for employment, training and career development are equally opened to all eligible employees without discrimination. Currently, the male to female ratio in the workforce of the Group including senior management is approximately 8,161:5,582. The Board considers that the gender diversity in workforce is currently achieved.

During the Year, the Nomination Committee held one meeting.

# CORPORATE GOVERNANCE REPORT

## REMUNERATION COMMITTEE

The Remuneration Committee was established on 1 February 2021 with written terms of reference in compliance with Rule 3.25 of the Listing Rules and the Corporate Governance Code. During the Year and up to this report, the Remuneration Committee consisted of four members, namely Mr. Lin Feng, Ms. Hui Lai Kwan, Mr. Hung Shing Ming, Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) and Mr. Leung Yiu Man (appointed on 28 August 2023). Mr. Hung Shing Ming was the chairman of the Remuneration Committee.

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

During the Year, members of the Remuneration Committee (i) reviewed the remuneration packages of the Directors and the senior management; and (ii) made recommendation to the Board in relation to the remuneration package of Ms. Li Huiting, Mr. Zhang Chenghao and Mr. Leung Yiu Man.

During the Year, the Remuneration Committee held one meeting.

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

## INVESTMENT COMMITTEE

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

During the Year and up to the date of this report, the Investment Committee consisted of three executive Directors, three non-executive Directors and one independent non-executive Director, namely, Mr. Lin Feng, Mr. Zhang Jianguo, Mr. Mao Liangmin (resigned on 28 August 2023), Mr. Zhang Chenghao (appointed on 28 August 2023), Mr. Zhang Jin, Mr. Yao Xiaosheng, Mr. Yang Zhaoxuan and Mr. Hung Shing Ming. Mr. Lin Feng was the chairman of the Investment Committee.

During the Year, the Investment Committee did not hold any meetings as the Group was in the process of identifying suitable investment projects.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The ESG Committee was established on 3 March 2022. During the Year and up to the date of this report, the ESG Committee consisted of one executive Director, one non-executive Director and three independent non-executive Directors, namely, Mr. Lin Feng, Mr. Zhang Jianguo, Mr. Hung Shing Ming, Ms. Hui Lai Kwan, Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) and Mr. Leung Yiu Man (appointed on 28 August 2023). Mr. Lin Feng was the chairman of the ESG Committee.

The main duties of the ESG Committee include the following:

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

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

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

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

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

During the Year, the ESG Committee held one meeting and discussed, reviewed and approved the 2022 ESG report of the Company for the Board's consideration and other relevant matters, including the Group's ESG goals and performance.

## COMPANY SECRETARY

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

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

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

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

# CORPORATE GOVERNANCE REPORT

## SHAREHOLDERS' RIGHTS

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

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

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

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

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

## PROPOSE RESOLUTIONS AT THE ANNUAL GENERAL MEETING OF THE COMPANY

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

## PROCEDURES FOR RAISING ENQUIRIES

To ensure effective communication between the Board and the Shareholders:

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

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

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

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

## CONSTITUTIONAL DOCUMENTS

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

## CORPORATE COMMUNICATION AND INVESTOR RELATIONS

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

In 2023, the management and the investor relations management team organised a number of investor relations activities through various online and offline channels to maintain thorough and effective communication with investors both home and abroad, including, among others, results presentation in the form of "on-site + conference calls", results roadshow, daily one-on-one meetings, group meetings, and on-site roadshows. Additionally, the Group actively participated in various industry seminars and strategy conferences, providing convenient and effective communication channels for investors to comprehensively understand the Group's operations and development strategies, thereby establishing a good corporate image of the Group.

In addition, the Group has also set up investor relations emails, hotlines and other channels to maintain efficient and effective communication with investors. To ensure that the Shareholders are effectively informed of the Group's status and developments, the Group publishes announcements, circulars, notices, interim and annual reports in a timely manner. Meanwhile, to enhance transparency, the Group publishes relevant information on its corporate website, making it accessible to the Shareholders, investors, analysts, and other stakeholders.

# CORPORATE GOVERNANCE REPORT

The Group's annual general meetings attended by the Directors, and external independent auditor serve as a key channel for communication with the Shareholders. The annual general meetings allow the Directors to meet and communicate with the Shareholders and to answer their enquiries. To ensure the smooth and effective conduct of the annual general meetings, the chairman of the Group will propose separate resolutions for each issue to be considered at the annual general meetings. Additionally, a notice of annual general meeting will be delivered to all Shareholders at least 21 days prior to the date of the meeting, setting out details of each proposed resolution and other information. Voting results are posted on the websites of the Company and of the Stock Exchange.

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

## KEY INVESTOR RELATIONS EVENTS IN 2023

In 2023, the Group participated in more than 80 investor relations events, met with more than 500 investors, and fully communicated with the capital market on industry development trends and operations of the Group.

During the Year, the Group participated in the following investor relations events:

| Time | Events |
|---|---|
| March 2023 | 2022 Annual Results Presentation |
| | 2022 Annual Results Roadshow |
| | Haitong Securities Spring Conference of Listed Companies |
| April 2023 | Roadshows in Shanghai and Beijing |
| June 2023 | Soochow Securities Interim Strategy Conference |
| | Citi's Asia-Pacific Property Conference 2023 |
| August 2023 | 2023 Interim Results Presentation |
| | 2023 Interim Results Roadshow |
| September 2023 | GF Securities Autumn Capital Forum |
| | Roadshows in Shenzhen |
| November 2023 | Citi China Investment Summit 2023 |
| | CITIC Securities Capital Market Annual Conference |
| | Guotai Junan International Investor Exchange Conference |
| December 2023 | TF Securities Annual Strategy Conference |

## COVERAGE OF RESEARCH

In 2023, with increasing attention from the capital market, five new securities firms initiated coverage on the Group (including Industrial Securities, GF Securities, Soochow Securities, CITIC Securities, and Guotai Junan (Hong Kong)). By the end of the Year, 13 securities firms covered the Group. The Group's ratings in all these research reports were "Buy/Outperform", indicating analysts' strong confidence in the Group's future prospect.

## OUTLOOK

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

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

The profiles of the Directors and members of the senior management as at the date of this report are set out below.

## EXECUTIVE AND NON-EXECUTIVE DIRECTORS

**Mr. Lin Feng (林峰)**, aged 53, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director and appointed as the chairman of the Board on 1 February 2021. He was responsible for providing strategic advice and making recommendations on business plans, strategic developments and management decisions to our Board.

Mr. Lin has over 29 years' experience in overall strategic planning and corporate operations, investment and financial decisions and financial management relating to real estate development industry. Mr. Lin had served Guangzhou City Construction & Development Co., Ltd.* (廣州市城市建設開發有限公司) ("**GCCD**"), an indirectly non-wholly owned subsidiary of Yuexiu Property, (including Guangzhou City Construction & Development Holding Company* (廣州市城市建設開發總公司)) since July 1994 and was its director and general manager, mainly responsible for financial management, making investment decisions and financing management. His previous positions in GCCD included deputy general manager of the finance department and corporate management department, general manager of the finance department and general manager of the investment department. He had also served Yuexiu Property from January 2012 to 24 April 2024, he was the vice chairman of the board of directors, executive director and general manager of Yuexiu Property during the relevant period, mainly responsible for overall strategic planning, customer resource management and synergy. His previous positions in Yuexiu Property included assistant to general manager and deputy general manager.

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

**Mr. Zhang Jianguo (張建国)**, aged 48, was appointed as an executive Director and the Chief Executive Officer on 23 February 2022. He is responsible for overseeing the overall management, formulation and implementation of business strategies (including acquisition plans) of the Group.

Mr. Zhang has over 17 years of senior management experience in human resources, internal control and corporate culture development in the group of GZYX and Yuexiu Property prior to joining the Company. From July 2016 to January 2022, he served in GCCD and held the last position as the secretary of Commission for Discipline Inspection. Since July 2016, Mr. Zhang serves in GCCD as a director. Since January 2022, he serves as the deputy general manager of Yuexiu Property and since February 2022, he also serves as the deputy general manager of GCCD.

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

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

**Mr. Zhang Chenghao (張成皓)**, aged 43, was appointed as an executive Director and the vice president (Standing) of the Company on 28 August 2023. He is responsible for the overall strategic direction, management of operational matters and business decision making of the Group.

Mr. Zhang has over 20 years of experience in the real estate industry. From July 2003 to April 2020, Mr. Zhang worked with China Vanke Co., Ltd. (萬科企業股份有限公司) ("**Vanke**"), which is dual listed on the Main Board of the Stock Exchange (stock code: 2202) and the Shenzhen Stock Exchange (stock code: 000002), with his last position as the Guangzhou managing partner of the Guangzhou rental apartment office serving from July 2015 to April 2020. From April 2020 to July 2023, Mr. Zhang served as the general manager of the customer relations center at Yuexiu Property. Since July 2023, Mr. Zhang has served as the general manager of Guangzhou Yuexiu Property Development Co., Ltd.* (廣州越秀物業發展有限公司).

Mr. Zhang obtained a bachelor's degree in electrical engineering and automation from Huazhong University of Science and Technology (華中科技大學) in the PRC in June 2003.

**Mr. Zhang Jin (張勁)**, aged 52, was appointed as a Director on 27 January 2021 and was redesignated as an executive Director and appointed as a vice president of the Company on 1 February 2021. He is responsible for the overall management and commercial operations of our Group. Mr. Zhang currently serves as a director of certain members of the Group.

Mr. Zhang has over 26 years' experience in property management and commercial operations. He served in Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd.* (廣州越秀怡城商業運營管理有限公司) (formerly known as Guangzhou Yicheng Property Management Co., Ltd.* (廣州怡城物業管理有限公司)) ("**Yuexiu Yicheng**") from November 1997 to January 2017, with his last position as the deputy general manager, served as the general manager of Guangzhou Baima Business Operation Management Co., Ltd.* (廣州白馬商業經營管理有限公司) from January 2017 to October 2018, and the vice chairman of board of directors in Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd.* (廣州越秀城建仲量聯行物業服務有限公司) ("**Guangzhou Yuexiu JLL**") from October 2018 to June 2020. Mr. Zhang has served as the chairman of board of directors in Yuexiu Yicheng and Guangzhou Yuexiu JLL since March 2020 and June 2020, respectively, and has been responsible for providing opinion and judgement to the board of directors. Since November 2021, Mr. Zhang has served as an assistant to the president of Commercial Division of Yuexiu Property.

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

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

**Mr. Yao Xiaosheng (姚曉生)**, aged 45, was appointed as a Director on 27 January 2021 and was redesignated as a non-executive Director on 1 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yao has over 18 years' experience in corporate management. Since July 2005, Mr. Yao has served various positions in GZYX for operations analysis and management, administrative management and financial capital management. Mr. Yao served as the deputy general manager of the general office in GZYX and YXE from November 2011 to January 2016; the deputy general manager of the finance department in GZYX and YXE from January 2016 to July 2020; and the business director of the finance department in GZYX and YXE from July 2020 to February 2021. Since February 2021, he has acted as the general manager of the capital operations department in GZYX and YXE, and has been responsible for the coordination of capital operations and related management work of GZYX and subordinate sectors.

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

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

**Mr. Yang Zhaoxuan (楊昭煊)**, aged 46, was appointed as a non-executive Director on 9 February 2021. He is responsible for providing guidance and formulating business strategies on the overall development of our Group.

Mr. Yang has over 18 years' experience in accounting and finance industries. From August 2005 to May 2017, Mr. Yang served in Guangzhou Metro Group Co., Ltd.* (廣州地鐵集團有限公司) ("**GZ Metro**") in certain positions for budget planning, financial strategies, financial analysis and financing and capital management, with the last position as capital management manager. From May 2017 to April 2020, Mr. Yang served as the deputy general manager of financial planning department in Guangzhou Railways Investment Construction Group Co., Ltd.* (廣州鐵路投資建設集團有限公司). Since April 2020, Mr. Yang has served as the deputy general manager of operation business department in GZ Metro, and has been in charge of strategic planning, financial management, efficiency examination, resources operations and overall management.

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

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

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## INDEPENDENT NON-EXECUTIVE DIRECTORS

**Ms. Hui Lai Kwan (許麗君)**, aged 53, was appointed as an independent non-executive Director on 1 February 2021. Ms. Hui is responsible for providing independent advice and judgement to the Board.

Ms. Hui has over 25 years of experience in the accounting, finance and advisory areas. From August 1992 to December 2010, Ms. Hui served in KPMG and her past position therein was the senior manager of capital markets group, and was responsible for provision of technical support services to audit team on listing matters and review of prospectuses. From December 2014 to November 2015, Ms. Hui was a director in regional controllers department in Manulife Financial Asia Limited, and was responsible for provision of regional management information reporting and budgeting for Manulife Asia business units. From May 2016 to February 2018, Ms. Hui was the head of finance in finance department in Aviva Life Insurance Company Limited, and was responsible for accounting and financial management, investment reporting and fund operations. From February 2018 to August 2018, Ms. Hui acted as the chief financial officer in Asana (Hong Kong) Limited, and was responsible for accounting and financial management and securing strategic investments. From September 2018 to August 2022, Ms. Hui acted as a consultant for Golden Advice Enterprises Limited, and was responsible for financial and operational review and provision of corporate governance and process improvements advice. From October 2021 to August 2022, Ms. Hui also acted as the transformation lead in i-CABLE Communications Limited, a company listed on the Stock Exchange (stock code: 1097), and was responsible for process re-engineering to improve management and operational efficiency. From August 2022 to January 2024, Ms. Hui acted as a director of corporate governance & strategy in i-CABLE Network Operations Limited (a wholly-owned subsidiary of i-CABLE Communications Limited) and is responsible for the corporate governance and strategy development, ESG compliance, and process optimisation. Ms. Hui now acts as an independent consultant providing advisory and consulting services to start-up companies and social enterprises.

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

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

**Mr. Hung Shing Ming (洪誠明)**, aged 47, was appointed as an independent non-executive Director on 1 February 2021. Mr. Hung is responsible for providing independent advice and judgement to the Board.

Mr. Hung has approximately 21 years' experience in the investment and commercial banking industry. In February 2023, Mr. Hung re-joined DBS Bank Ltd, Hong Kong Branch as a managing director and head of large corporate, institutional banking group.

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

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

**Mr. Leung Yiu Man (梁耀文)**, aged 56, was appointed as an independent non-executive Director on 28 August 2023. Mr. Leung is responsible for providing independent advice and judgement to the Board.

Mr. Leung has over 31 years of experience in investment, equity analysis and corporate finance. Mr. Leung served as the managing director and executive director of China International Capital Corporation (Hong Kong) Limited between March 2001 and October 2009, the chief investment officer of SPG Land (Holdings) Limited (now known as Greenland Hong Kong Holdings Limited), a company listed on the Main Board of the Stock Exchange (stock code: 0337), between 2009 and 2011, the managing director of Morgan Stanley Asia Limited between September 2011 and April 2015. Since August 2017, Mr. Leung has been a responsible officer and a director of Austen Capital Management Limited, mainly engaging in asset management of private equity and investment advisory.

Mr. Leung was an independent non-executive director of Casablanca Group Limited, a company listed on the Main Board of the stock exchange (stock code: 2223) between May 2015 and May 2017. Since March 2023, he has also been an independent non-executive director of Get Nice Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 0064).

Mr. Leung holds Type 4 (advising on securities) and Type 9 (asset management) licenses from the Securities and Futures Commission in Hong Kong. He is a chartered financial analyst of the Institute of Chartered Financial Analysts in the United States and a member of the Hong Kong Securities and Investment Institute.

Mr. Leung obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1990.

# PROFILES OF DIRECTORS AND SENIOR MANAGEMENT

## SENIOR MANAGEMENT

**Ms. Cheng Ru (成茹)**, aged 46, was appointed as a vice president of the Company on 1 February 2021. She is responsible for community businesses and diversified businesses, and for providing assistance to the Chief Executive Officer in relation to operational management.

Ms. Cheng has over 18 years' experience in corporate management of property management businesses. From May 2008 to July 2017, Ms. Cheng served in Guangzhou Yuexiu Property Development Co., Ltd. * (廣州越秀物業發展有限公司) (formerly known as Guangzhou Urban Construction Property Development Co., Ltd. *(廣州城建開發物業有限公司)) ("**Yuexiu PD**") by starting as supervisor for corporate management of composite department (綜合部) with her last position being the manager of development operations division of property services business department in Yuexiu PD where she was in charge of overall management and operation of the relevant departments. From August 2017 to June 2019, Ms. Cheng acted as the assistant to general manager of property services business department in Yuexiu PD. Since June 2019, Ms. Cheng has acted as the deputy general manager of property services business department in Yuexiu PD, and was in charge of strategic planning, overall management and financial operation, and improvement of business objectives.

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

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

**Ms. Li Huiting (李慧婷)**, aged 45, was appointed as the chief financial officer of the Company on 7 July 2023. She is responsible for financial and budget management and capital operations.

Ms. Li has over 10 years of finance management experience in Yuexiu Property prior to joining the Group. From August 2001 to January 2008, Ms. Li worked in the audit department of Guangzhou office of PricewaterhouseCoopers (as it then was) with her last position as an audit manager. Ms. Li joined the finance department of Yuexiu Property in November 2008 as a finance manager, and was promoted as the deputy general manager of finance department in August 2016. Since May 2021, she has served as the general manager of the finance management centre of Yuexiu Property, responsible for various functions such as financial reporting and data control, financing and capital management, as well as budgetary and tax planning.

Ms. Li has been a certified public accountant of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) (the "**Institute**") since December 2003 and a non-practising member of the Institute since January 2010.

Ms. Li obtained a bachelor's degree in literature majoring in English (international commerce) from Guangdong University of Foreign Studies* (廣東外語外貿大學) in the PRC in June 2001.

# DIRECTORS' REPORT

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

## GLOBAL OFFERING

The Company was incorporated in Hong Kong on 8 October 2020 as a limited liability company. Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the Over-allotment Option at the issue price of HKD4.88 per Share. All the Shares were listed on the Main Board of the Stock Exchange. For details of the proceeds from the Global Offering and their uses, please refer to the paragraphs headed "Management Discussion and Analysis – Proceeds from the Global Offering" on page 40.

## PRINCIPAL ACTIVITIES

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

## BUSINESS REVIEW AND FUTURE DEVELOPMENT

A review of the Group's business during the Year, an analysis of the Group's performance using financial key performance indicators, a description of the Group's relationships with its employees, customers and suppliers and an indication of likely future development in the Group's business as required by Schedule 5 to the Companies Ordinance are set out in "Chairman's Statement" on pages 18 to 26 and in "Management Discussion and Analysis" on pages 27 to 43.

## ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group is committed to the long term sustainability of the environment and communities in which it operates. The Group operates its business in compliance with applicable environmental protection laws and regulations and has implemented relevant environmental protection measures in compliance with the required standards under applicable laws and regulations.

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

## COMPLIANCE WITH THE RELEVANT LAWS AND REGULATIONS

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. During the Year, there was no material breach of, or non-compliance with, applicable laws and regulations by the Group.

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

## SEGMENT INFORMATION

Management considers that the Company has two business segments under the requirements of HKFRS 8.

# DIRECTORS' REPORT

## RESULTS AND DIVIDENDS

The results of the Group for the Year are set out in the consolidated statement of comprehensive income on page 103.

Profit attributable to owners of the Company, before dividends, of RMB487.0 million have been transferred to reserves. Other movements in reserves are set out in the consolidated statement of changes in equity on page 106.

The Board has proposed to declare a final dividend for the Year of HKD0.087 per Share, which is equivalent to RMB0.079 per Share, payable to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 20 June 2024. Subject to the approval of Shareholders at the forthcoming AGM, the final dividend will be paid on or about Friday, 5 July 2024. Dividends payable to Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration. The Board has declared an interim dividend for the six months ended 30 June 2023 of HKD0.089 per Share (equivalent to RMB0.081 per Share), paid on 22 September 2023.

## ANNUAL GENERAL MEETING

The AGM will be held on Wednesday, 12 June 2024. A notice convening the AGM will be published on the Company's website and the Stock Exchange's website and dispatched to the Shareholders in accordance with the requirements of the Listing Rules and Articles of Association in due course.

## CLOSURE OF THE REGISTER OF MEMBERS

For the purpose of determining Shareholders' eligibility to attend and vote at the AGM on Wednesday, 12 June 2024, the register of members of the Company will be closed from Thursday, 6 June 2024 to Wednesday, 12 June 2024 (both days inclusive), during which period no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Wednesday, 5 June 2024, for registration.

For the purpose of determining the entitlement of the Shareholders to the proposed final dividend, the register of members of the Company will be closed from Wednesday, 19 June 2024 to Thursday, 20 June 2024 which no transfer of Shares will be registered. All properly completed share transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Tuesday, 18 June 2024, for registration.

## SHARE CAPITAL

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

## RESERVES

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

## RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2023, the Company's reserves available for distribution calculated under Part 6 of the Companies Ordinance amounted to approximately RMB225.6 million.

## MAJOR CUSTOMERS AND SUPPLIERS

For the Year, purchases from the Group's five largest suppliers accounted for 8.9% of the Group's total purchases and purchases from the largest supplier amounted to 3.1% of the Group's total purchases.

For the Year, revenue derived from the Group's five largest customers accounted for 44.0% of the Group's total revenue and revenue derived from the largest customer amounted to 40.3% of the Group's total revenue.

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

## PROPERTY, PLANT AND EQUIPMENT

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

## LOANS AND BORROWINGS

The Group did not have any bank loans or other borrowings as at 31 December 2023.

## DIRECTORS

Unless otherwise stated below, the Directors in office during the Year and up to the date of this report (18 March 2024) were as follows:

### *Non-executive Directors*

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

### *Executive Directors*

Mr. Zhang Jianguo
Mr. Mao Liangmin (resigned on 28 August 2023)
Mr. Zhang Chenghao (appointed on 28 August 2023)
Mr. Zhang Jin

### *Independent Non-executive Directors*

Ms. Hui Lai Kwan
Mr. Hung Shing Ming
Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023)
Mr. Leung Yiu Man (appointed on 28 August 2023)

# DIRECTORS' REPORT

### ROTATION AND RE-ELECTION OF DIRECTORS

Pursuant to article 110 of the Articles of Association, the Board shall have power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed shall hold office only until the next following AGM and shall then be eligible for re-election at that meeting, provided that any Director who so retires shall not be taken into account in determining the number of Directors who are to retire by rotation at the AGM.

Pursuant to article 111(a) of the Articles of Association, at each AGM, one-third of the Directors for the time being (excluding the Directors eligible for re-election at that meeting pursuant to article 110 of the Articles of Association), or, if their number is not three or a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation; subject to the provisions of the Companies Ordinance, the Listing Rules and the Articles of Association, the Directors to retire in every year shall be those who have been longest in office since their last election, and as between persons who became Directors on the same day, the Directors to retire shall (unless they otherwise agree between themselves) be determined by lot; and every Director, including those appointed for a specific term, shall be subject to retirement at least once every three years.

Therefore, in accordance with the Articles of Association, (i) Mr. Zhang Jin (an executive Director) and Mr. Yang Zhaoxuan (a non-executive Director) will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM; and (ii) Mr. Zhu Huisong[1], Mr. Zhang Chenghao and Mr. Leung Yiu Man will hold office until the forthcoming AGM and being eligible, offer themselves for re-election at the forthcoming AGM.

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

## DIRECTORS' BIOGRAPHIES

Biographical details of the Directors are set out on pages 61 to 66.

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

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

From August 2022 to January 2024, Ms. Hui Lai Kwan acted as a director of corporate governance & strategy in i-CABLE Network Operations Limited (a wholly-owned subsidiary of i-CABLE Communications Limited) and was responsible for the corporate governance and strategy development, ESG compliance, and process optimisation. Ms. Hui Lai Kwan now acts as an independent consultant providing advisory and consulting services to start-up companies and social enterprises.

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

1 Mr. Zhu Huisong was appointed as the Chairman and a non-executive Director of the Company on 24 April 2024. Please refer to the announcement of the Company dated 24 April 2024 for further details.

## DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Details of the Directors' service contracts and letters of appointment are set out in the paragraph headed "Board of Directors – Appointment and Re-election of Directors" in the Corporate Governance Report on pages 46 to 48.

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

## DIRECTORS OF THE COMPANY'S SUBSIDIARIES

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

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

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

## MANAGEMENT CONTRACTS

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

## DIRECTORS' INTERESTS IN COMPETING BUSINESS

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

# DIRECTORS' REPORT

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

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

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

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

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

So far as the Directors are aware, at 31 December 2023, the interests and short positions of the Directors and chief executives of the Company at that time in the Shares, underlying Shares and debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) required to be recorded in the register required to be kept by the Company under Section 352 of the SFO, or otherwise notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO or pursuant to the Model Code in Appendix C3 (formerly known as Appendix 10) to the Listing Rules, were as follows:

### LONG POSITION IN THE COMPANY

| Name of shareholder | Capacity and nature of interest | Number of the Company's issued shares held | Approximate percentage of shareholding in the Company (1) |
|---|---|---|---|
| Mr. Mao Liangmin(3) (resigned as an executive director of the Company on 28 August 2023) | Beneficial owner | 1,048,800(2) | 0.07% |
| Mr. Zhang Jin(3) | Beneficial owner | 1,048,800(2) | 0.07% |

Notes:

(1) The total number of 1,522,030,177 shares of the Company in issue as at 31 December 2023 was used for the calculation of the approximate percentage of shareholding.

(2) The relevant interests are unlisted physically settled options granted pursuant to the Share Option Scheme (as defined below).

(3) These interests are share options that have been conditionally granted to the relevant Directors under the Share Option Scheme and were not vested as at 31 December 2023.

### LONG POSITION IN THE ASSOCIATED CORPORATION OF THE COMPANY

| Name of shareholder | Name of associated corporation | Capacity and nature of interest | Number of associated corporation's issued shares held | Approximate percentage of shareholding in the associated corporation[5] |
|---|---|---|---|---|
| Mr. Lin Feng[1] | Yuexiu Property | Beneficial owner/beneficiary of a trust/spouse interest | 2,102,835 | 0.05% |
| Mr. Zhang Jianguo[2] | Yuexiu Property | Beneficial owner/beneficiary of a trust | 1,977,689 | 0.05% |
| Mr. Zhang Jin[3] | Yuexiu Property | Beneficial owner/beneficiary of a trust | 331,173 | 0.01% |
| Mr. Zhang Chenghao [4] | Yuexiu Property | Beneficial owner/beneficiary of a trust | 115,162 | 0.003% |

Notes:

(1) Mr. Lin Feng is interested in 2,102,835 shares, out of which 1,401,492 shares are owned by him as beneficial owner, 675,343 shares are held for him as a beneficiary under Yuexiu Property Company Limited Share Incentive Scheme Trust for Directors and Senior Management (the "**Yuexiu Property DSM Trust**") and 26,000 shares are held by his spouse.

(2) Mr. Zhang Jianguo is interested in 1,977,689 shares, out of which 1,532,856 shares are owned by him as beneficial owner and 444,833 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

(3) Mr. Zhang Jin is interested in 331,173 shares, out of which 231,936 shares are owned by him as beneficial owner and 99,237 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

(4) Mr. Zhang Chenghao is interested in 115,162 shares, out of which 15,439 shares are owned by him as beneficial owner and 99,723 shares are held for him as a beneficiary under the Yuexiu Property DSM Trust.

(5) The total number of 4,025,392,913 shares of Yuexiu Property in issue as at 31 December 2023 was used for the calculation of the approximate percentage of shareholding.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executives of the Company or their associates had any interests or short positions in any shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which would have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which the Directors and chief executives were deemed or taken to have under the provisions of the SFO), or which were required to be and are recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

# DIRECTORS' REPORT

## DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

So far as the Directors are aware, as at 31 December 2023, the following persons had interests or short positions in the Shares or underlying Shares which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

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

Notes:

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

(2) Given that (i) GCD China is wholly-owned by Yuexiu Property; (ii) Yuexiu Property is indirectly owned by YXE as to approximately 43.39%; and (iii) YXE is wholly-owned by GZYX, by virtue of the SFO, each of GZYX, YXE and Yuexiu Property is deemed to be interested in the Shares held by GCD China.

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

Save as disclosed above, as at 31 December 2023, there was no other person who had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

## DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

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

## PRINCIPAL RISKS AND UNCERTAINTIES

Principal risks and uncertainties facing the Group are set out in the Risk Management Report on pages 89 to 94.

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

## CHARITY DONATION

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

## EQUITY-LINKED AGREEMENT

### SHARE OPTION INCENTIVE SCHEME

Pursuant to the ordinary resolution of the Shareholders' passed on 15 February 2023, the Company has adopted the Share Option Incentive Scheme (the "**Share Option Scheme**") to recognise and acknowledge the contributions of the Eligible Participants (as defined below) to the Group by granting share options under the Share Option Scheme (the "**Options**") to them as incentives or rewards. Details of which can refer to the circular of the Company dated 26 January 2023.

Set out below is a summary of the principal terms of the Share Option Scheme:

*1. Purpose*

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants to the Group by granting Options to them as incentives or rewards. In particular, it is intended that the Share Option Scheme will offer meaningful incentive to attract, retain and motivate talented employees towards the performance goals in business operation and other long-term performance targets set by the Group and to provide them with an incentive to work better for the interest of the Group.

*2. Duration of the Share Option Scheme*

The Share Option Scheme shall be valid and effective for the period commencing on the date on which the Share Option Scheme is adopted by an ordinary resolution of the Shareholders on 15 February 2023 (the "**Adoption Date**") and expiring at 5:00 p.m. on the business day immediately preceding the tenth anniversary of the Adoption Date unless terminated earlier by the Shareholders in general meeting (the "**Scheme Period**"). Upon termination of the Share Option Scheme, no further Options may be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

# DIRECTORS' REPORT

### *3. Participants*

Only the Eligible Participants may be granted Options. On and subject to the terms of the Share Option Scheme, the Board may, on a business day during the Scheme Period, at its absolute discretion (and subject to any conditions as it may think fit, including but not limited to the achievement of any performance target and/or any minimum period for which an Option must be held before it can be exercised) make an offer in writing (in such form as the Board may from time to time determine) to an Eligible Participant an Option to subscribe at the exercise price for the exercise of such Options (the "**Exercise Price**") for such number of Shares as the Board may determine.

"Eligible Participant" refers to any employee (whether full-time or part-time) or director of any member of the Group, other than an Excluded Person. "Excluded Person" refers to (i) any person who is an independent non-executive director of any member of the Group; (ii) any person alone or together with his family member(s) is interested in 5% or more of the issued Shares at the time of any proposed grant; or (iii) the spouse, father, mother or child of the person referred to in (i) or (ii) above and who is not an employee of any member of the Group.

### *4. Acceptance of a grant*

Any grant may be accepted on or before the date specified in the grant (or at such other time and in such other manner as the Board may otherwise determine, including but not limited to an agreement in relation to the grant of the Options between an Eligible Participant and the Company) provided that no grant shall be open for acceptance after the expiry of the Scheme Period or after the Share Option Scheme has been terminated in accordance with the provisions thereof. An amount of HKD1.00 is payable by an Eligible Participant on acceptance of a grant.

### *5. Exercise price*

The price per Share payable on the exercise of an Option as determined by the Board and shall at least be the highest of:

(a) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which shall be a business day; and

(b) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant;

or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

The total subscription price payable upon exercise of an Option shall be an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which the Option is exercised.

*6. Maximum number of shares for which Options may be granted*

The total number of Shares which may be issued in aggregate upon exercise of all options to be granted under the Share Option Scheme and any other schemes (i.e. schemes or arrangements analogous to a share option scheme as described in Chapter 17 of the Listing Rules) shall not in aggregate exceed 10% (152,203,017 Shares) of the Shares in issue as at the Adoption Date, and as the Company has not adopted any other schemes as at the date of this report, the total number of Shares available for issue under the Share Option Scheme is 152,203,017 Shares, representing approximately 10% of the Shares in issue of the Company as at the date of this report.

As the Share Option Scheme was adopted and became valid and effective upon the passing of the ordinary resolution of the Shareholders on 15 February 2023, no Options were available for grant under the Share Option Scheme as at 1 January 2023. The number of options available for grant under the Share Option Scheme as at 31 December 2023 were 137,216,417 Shares, representing approximately 9.02% of the Shares in issue as at 31 December 2023. As none of the Options have been vested during the year ended 31 December 2023, there were no shares that may be issued in respect of Options granted under the Share Option Scheme of the Company during the year ended 31 December 2023.

*7. Maximum number of options to each participant*

The total number of Shares issued and to be issued upon the exercise of all Options granted to each Eligible Participant (excluding any options lapsed in accordance with the terms of the Share Option Scheme) in any period of twelve (12) consecutive months shall not exceed 1% of the Shares in issue.

The Company may grant further Options in excess of the limit set out in the preceding paragraph, subject to the Shareholders' approval in general meeting, at which the Eligible Participant involved and his close associates (or his associates if the Eligible Participant is a connected person) shall abstain from voting, and the following provisions shall apply:

(a) a circular containing the identity of the Eligible Participant involved, the number and terms of Options to be granted (and those previously granted to such participant in the 12-month period), the purpose of granting Options to the Eligible Participant and an explanation as to how the terms of the Options serve such purpose shall be despatched to the Shareholders together with the notice of the relevant general meeting;

(b) the number and terms of Options to be granted to the Eligible Participant involved shall be fixed before the general meeting; and

(c) the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

*8. Exercise and Vesting period of the options*

Subject to the provisions of the Share Option Scheme and the terms and conditions of the relevant grant(s), Options may be exercised by an Eligible Participant (or in the case of his death, his designated successor or legal successor and including the personal representative(s)), in whole or in part, at any time during the Option Period. "Option Period" is a period to be determined by the Board at its absolute discretion (provided that the period shall not be more than ten (10) years from the date of grant) and notified by the Board to an Eligible Participant as the period during which an Option may be exercised (subject to any restrictions on the exercise of the Option as may be imposed by the Board).

# DIRECTORS' REPORT

In order for the exercise of an Option to be effective, the secretary of the Company (or such other officers or department as the Board may designate from time to time) must, prior to the expiry of the Option Period, have received, among other things, a written notice exercising the Option and payment in full of the subscription price. Unless otherwise agreed between the Company and the option holder, Shares in respect of an Option shall be issued within twenty eight (28) days of the date upon which the exercise of the Option becomes effective.

The vesting period in respect of any Option granted to any Eligible Participant shall not be less than 12 months from the date of acceptance, provided that where the Eligible Participant is:

(a) an employee participant who is a Director or a senior manager specifically identified by the Company, the Remuneration Committee shall, or

(b) an employee participant who is not a Director nor a senior manager specifically identified by the Company, the Directors shall have the authority to determine a shorter vesting period under the following circumstances:

   (i) grants of "make-whole" Options to new employee participants to replace the awards or options such employee participants forfeited when leaving the previous employer;

   (ii) grants to an employee participant whose employment is terminated due to death or disability or occurrence of any out of control event;

   (iii) grants that are made in batches during a year for administrative and compliance reasons;

   (iv) grants with a mixed or accelerated vesting schedule such as where the Options may vest evenly over a period of twelve (12) months;

   (v) grants with performance-based vesting conditions in lieu of time-based vesting criteria; and

   (vi) the Remuneration Committee (or as the case may be, the Directors) is of the view that a shorter vesting period is appropriate and serves the purpose of the Share Option Scheme.

***9. The remaining life of the Share Option Scheme***

The Share Option Scheme became effective since 15 February 2023. It, unless otherwise cancelled or amended, will remain in force for ten years from that date.

A summary of the principal terms and conditions of the Share Option Scheme is set out in Appendix 1 to the circular of the Company dated 26 January 2023.

## DETAILS AND MOVEMENTS OF OPTIONS DURING THE YEAR ENDED 31 DECEMBER 2023

The details and the movement of the Options granted under this Share Option Scheme during the year ended 31 December 2023 are as below: –

| Grantees | Outstanding options as at 1 January 2023 | Date of the conditional grant | Exercise price per share (HKD) | Closing price per share immediately before the date of the conditional grant (HKD) | Vesting period/ Exercise period | Exercised during the period | Lapsed during the period (Note 5) | Outstanding options as at 31 December 2023 |
|---|---|---|---|---|---|---|---|---|
| Mao Liangmin (Note 1) | 1,048,800 (Note 2) | 30 December 2022 | 3.334 | 3.310 | (Note 3) | N/A (Note 4) | 0 | 1,048,800 |
| Zhang Jin | 1,048,800 (Note 2) | 30 December 2022 | 3.334 | 3.310 | (Note 3) | N/A (Note 4) | 0 | 1,048,800 |
| Senior management and core employees of the Group | 13,122,700 (Note 2) | 30 December 2022 | 3.334 | 3.310 | (Note 3) | N/A (Note 4) | (233,700) | 12,889,000 |
| Total | 15,220,300 | | | | | | (233,700) | 14,986,600 |

*Notes:*

1. Mao Liangmin resigned as an executive Director of the Company on 28 August 2023.

2. As at 1 January 2023, such Options were conditionally granted pending the fulfillment of the initial grant conditions. The said conditions have been fulfilled and the grant became unconditional during the year ended 31 December 2023.

3. Subject to the terms of the Share Option Scheme and the terms of the initial grant proposal, including the vesting conditions as set out below, these Options that are conditionally granted shall be vested and become exercisable until 8 years from the date of the conditional grant in three tranches as described below: the first tranche comprising of 33% of the options conditionally granted shall be vested on the first trading day after 24 months from the date of the conditional grant (i.e. 30 December 2024); the second tranche comprising of 33% of the options conditionally granted shall be vested on the first trading day after 36 months from the date of the conditional grant (i.e. 30 December 2025); and the third tranche comprising of 34% of the options conditionally granted shall be vested on the first trading day after 48 months from the date of the conditional grant (i.e. 30 December 2026).

   Vesting conditions for such Options that are conditionally granted are as follows:

   (i) Vesting conditions: in relation to the Company and in respect of each tranche of the Options granted:

   (A) the Company's return on equity attributable to shareholders after deducting non-recurring gain or loss (I) shall not be less than 12.8% for the first tranche in 2023, 12.9% for the second tranche in 2024 and 13.0% for the third tranche in 2025 and (II) shall be equal to or greater than that of the average of the peer benchmark companies plus 1%;

   (B) the Company's growth rate of net profit attributable to shareholders after deducting non-recurring gain or loss in 2023 for the first tranche, 2024 for the second tranche and 2025 for the third tranche (I) as compared to that of 2021 shall be greater than 32%, 52% and 75% respectively and (II) shall be equal to or greater than that of the average of the peer benchmark companies;

   (C) the Company's receivables turnover ratio in 2023 for the first tranche, 2024 for the second tranche and 2025 for the third tranche shall not be less than 4.2;

   (D) the proportion of cash dividend shall not be lower than 30% of the Company's distributable net profit in the latest full financial year; and

# DIRECTORS' REPORT

(E) none of the following circumstances having occurred:

(I) issue of the financial and accounting report of the Company for the most recent financial year in which a certified public accountant gives an adverse opinion or cannot give an opinion;

(II) imposition of administrative penalties by regulatory authorities as a result of material breach of rules and regulations in the preceding year; and

(III) other circumstances under which implementation of share option incentive schemes is prohibited as determined by regulatory authorities.

(ii) Vesting conditions: in relation to an incentive target who has accepted a grant of Options and in respect of each tranche of the Options granted:

(A) he/she has obtained an assessment grade of "B" for senior management (including executive Directors) and "pass" for core employees of the Group or above in the year preceding the scheduled vesting date in which case the entire tranche of the Options granted will be vested (for the avoidance of doubt, if an incentive target who has accepted a grant of Options fails to obtain the aforesaid assessment result, the entire tranche of the Options granted will lapse); and

(B) none of the following circumstances having occurred:

(I) he/she has been publicly censured or declared as an ineligible candidate by the Stock Exchange during the last three years;

(II) he/she has been penalized by regulatory authorities during the last three years due to serious violations of laws or regulations;

(III) he/she is prohibited from acting as a director or a member of the senior management of a company by the relevant laws and regulations; or

(IV) he/she is determined by the Board to have otherwise seriously violated the Company's regulations.

4. None of Options that were conditionally granted had become exercisable during the year ended 31 December 2023.

5. None of the Options were cancelled during the year ended 31 December 2023.

6. The fair value of Options at the date of grant, the methodology and assumptions used were disclosed in Note 23(b) to the consolidated financial statements.

## PRE-EMPTIVE RIGHTS

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

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

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

## NON-COMPETITION UNDERTAKINGS

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

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

## PERMITTED INDEMNITY PROVISIONS

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

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

## CONTINUING CONNECTED TRANSACTIONS

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

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

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

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

### 1. PROPERTY LEASE

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

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

For the Year the rental paid by the Group under the Existing Property Lease Framework Agreement amounted to approximately RMB30,406,000.

# DIRECTORS' REPORT

As the Existing Property Lease Framework Agreement was due to expire on 31 December 2023, on 31 December 2023, the Company, GZYX and Yuexiu Property entered into the property lease framework agreement with a term commencing from 1 January 2024 to 31 December 2026 to govern the Group's leases of properties from GZYX, Yuexiu Property and their respective associates which are exempt from recognition as right-of-use assets under HKFRS16 (the "**Property Lease Framework Agreement**"), which will enable the Group to use the office premises of GZYX, Yuexiu Property and their respective associates and sub-lease certain car parking spaces for providing carpark space management and operation services to generate additional rental income by sub-leasing certain carparks. The annual caps for the Property Lease Framework Agreement for the years ending 31 December 2024, 2025 and 2026 are RMB54,441,000, RMB63,361,000 and RMB75,751,000, respectively.

For details of the above continuing connected transactions, please refer to the announcement of the Company dated 2 January 2024.

## 2. GZ METRO PROPERTY MANAGEMENT AND RELATED SERVICES

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

For the Year, the service fees paid to the Group under the 2023 GZ Metro Property Management and Related Services Framework Agreement amounted to approximately RMB187,515,000.

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

## 3. BANK DEPOSITS

On 22 November 2022, the Company entered into the 2023 bank deposits agreement (the "**2023 Bank Deposits Agreement**") with CHB, pursuant to which the Group may, in its ordinary and usual course of business, place and maintain bank deposits (the "**Bank Deposits**") with CHB and its subsidiaries ("**CHB Group**") on normal commercial terms from time to time for a term of three years commencing from 1 January 2023, and the placing and maintenance of any the Bank Deposits shall be subject to the terms and conditions of the CHB Group applicable to independent customers similar to the Group from time to time. The daily caps for the Bank Deposits under the 2023 Bank Deposits Agreement for the years ending 31 December 2023, 2024 and 2025 are RMB2,293,500,000, RMB2,522,850,000 and RMB2,775,135,000, respectively.

For the Year, the highest daily outstanding balance (including accrued interests) of the Bank Deposits placed by the Group with CHB Group on any given day amounted to approximately RMB985,366,000.

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

**4. INTELLIGENT SERVICES**

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

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

For the Year, the service fees paid to the Group under the Intelligent Services Framework Agreement amounted to approximately RMB72,815,000.

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

**5. PROCUREMENT OF PRODUCTS**

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

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

For the Year, the total amount paid by the Group for the procured products under the Procurement Framework Agreement was approximately RMB7,589,000.

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

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

*A. Property Management Services*

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

# DIRECTORS' REPORT

*B. Commercial Operation and Management Services*

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

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

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

*D. Market Positioning Consultancy and Tenant Sourcing Services*

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

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

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

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

For the Year, the service fees paid to the Group under the 2022 Property Management and Value-Added Services Framework Agreement for (i) property management services; (ii) commercial operation and management services; (iii) value-added services; and (iv) market positioning consultancy and tenant sourcing services amounted to approximately RMB39,140,000, RMB56,338,000, RMB816,783,000 and RMB125,992,000, respectively.

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

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

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

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

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

# DIRECTORS' REPORT

The Company's auditor was engaged to report on the Group's continuing connected transactions for the Year in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the continuing connected transactions of the Group:

(i) have not been approved by the Board;

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

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

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

## CONNECTED TRANSACTION

On 18 December 2023, certain wholly-owned subsidiaries of the Company (the "**Lessees**"), entered into four lease agreements (the "**Lease Agreements**") with certain subsidiaries of Yuexiu Real Estate Investment Trust ("**Yuexiu REIT**") (the "**Lessors**"), respectively, pursuant to which the Lessors have agreed to lease properties (including carparks and office units) to the Lessees.

The value of the right-of-use asset to be recognized by the Group in respect of the lease of the properties under the Lease Agreements is approximately RMB48,509,621, calculated with reference to the present value of the aggregated lease payments to be made under the Lease Agreements in accordance with HKFRS 16. The discount rate of approximately 4.75% is applied to compute the present value of the aggregate lease payments under the Lease Agreements.

As Yuexiu Property is the controlling shareholder of the Company, it is a connected person of the Company under the Listing Rules. As at the date of this report, Yuexiu Property owns approximately 37.89% of Yuexiu REIT's units, and therefore Yuexiu REIT is an associate of a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Lease Agreements entered into by the Group with certain subsidiaries of Yuexiu REIT constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

For the details of the above connected transaction, please refer to the announcement of the Company dated 18 December 2023.

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

## RELATED PARTY TRANSACTIONS

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

## EVENTS AFTER THE REPORTING YEAR

There are no significant events subsequent to 31 December 2023 which would materially affect the Group's operating and financial performance as of the date of this report.

## PUBLIC FLOAT

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

## MATERIAL LITIGATION AND ARBITRATION

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

## CORPORATE GOVERNANCE

The Company has adopted the code provisions of the Corporate Governance Code as its own code of corporate governance. The Company's corporate governance principles and practices are set out in the Corporate Governance Report on pages 44 to 60.

## AUDIT COMMITTEE

The Audit Committee, comprising Ms. Hui Lai Kwan (chairlady), Mr. Hung Shing Ming, Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) and Mr. Leung Yiu Man (appointed on 28 August 2023), has discussed with the Group's management and external auditor the accounting principles and policies adopted by the Group as well as the procedures adopted by the auditor in reviewing all continuing connected transactions and connected transactions, and has reviewed the Group's consolidated financial statements for the Year.

# DIRECTORS' REPORT

## AUDITOR

On 18 March 2024, the Board announced that PricewaterhouseCoopers ("**PwC**") would retire as the auditor of the Company at the conclusion of the forthcoming AGM of the Company to be held on 12 June 2024. Upon the recommendation of the Audit Committee, the Board proposed the appointment of Ernst & Young as the new auditor of the Company effective immediately following the retirement of PwC at the conclusion of the AGM, subject to the approval of Shareholders at the AGM.

Since 18 May 2023, Ernst & Young has been acting as the auditor of Yuexiu Property, the controlling shareholder of the Company. The Board is of the view that appointing the same auditor as its controlling shareholder to align the audit work will improve the efficiency of audit services for the Company. The Board has therefore resolved to change the auditor at the AGM.

The Company received a letter from PwC confirming that there were no circumstances connected with their retirement that needed to be brought to the attention of the Company's members or creditors. The Board had confirmed that there was no disagreement between PwC and the Company, and there were no matters in respect of the proposed change of auditor that needed to be brought to the attention of the Shareholders.

On behalf of the Board

**Mr. LIN Feng**
*Chairman of the Board*
Hong Kong, 18 March 2024

## RISK MANAGEMENT AND INTERNAL CONTROL

### I. DUTIES OF THE BOARD AND THE MANAGEMENT

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

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

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

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

### II. RESPONSIBILITY FOR RISK MANAGEMENT

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

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

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

# RISK MANAGEMENT REPORT

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

## III. RISK MANAGEMENT PROCEDURE

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

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

Risk management is mainly driven by the nature of the industry in which the Group operates, and the Group's strategy and business objectives. By identifying the risk factors, analysing the causes leading to specific risk events, assessing the likelihood of occurrence of any particular risk and the potential impacts, assessing specific responsive measures, continuously monitoring and assessing the changing risk factors, and adjusting the risk countermeasures in a timely manner, the Group is able to navigate in the evolving business environment through effective risk management.

## IV. RISK MANAGEMENT CONDUCTED BY THE GROUP IN 2023

### *(1) Industry overview*

In 2023, facing market changes and challenges, the property management industry began to put more emphasis on service quality in order to pursue long-term and sustainable development. At the same time, relevant policies and regulations were successively introduced, paving the way for standardised development of the property management industry. Some property management companies began to widely implement intelligent methods to help reduce costs and increase operational efficiency.

In terms of the risk control strategy, the Group adhered to its operation philosophy of "improving core property management services, expanding business actively, and enhancing value-added services". The Group continued to explore high-quality projects and revenue generating businesses, so as to maintain a high level of income and profit growth rate. The Group adhered to a high-quality development path, prioritised the core demands of property owners and promoted service quality in different aspects. As the property management companies became more cautious in expansion, the Group paid even greater attention to the quality of expansion projects and strictly conducted reviews and evaluations regularly in order to promote a healthy, steady and sustainable development.

# RISK MANAGEMENT REPORT

*(2) Risk countermeasures and the effectiveness*

Through the existing risk management system, each department of the Group effectively performs its respective risk function. The Group identifies and assesses the risk factors that may affect its development objectives, and develops corresponding internal control measures in order to prevent, alleviate or reduce the possible impact of these risks. The main strategies and measures of risk management adopted by the Group are as follows:

1. Implementing lean management and promoting cost reduction and efficiency to address cost risks

   The Group actively implemented lean management practices. By focusing on "optimising the procedures of bidding and procurement, digital intelligence empowerment and improving labour efficiency", the Group comprehensively promoted cost reduction and efficiency.

2. Improving collection rate and receivable turnover ratio to mitigate collection risks

   The Group optimised the setting of system fee collection standards, activated the penalty ledger function, strengthened legal collection efforts and litigation management, and increased the annual collection rate to 90.01%, which was significantly higher than the average level of the industry. The Group also conducted a comprehensive review of the procedures in collection of receivables from related parties and implemented collection plans to improve the receivable turnover ratio.

3. Active business expansion by continuously stimulating market vitality and establishing standardised business systems to cope with market and commercial risks

   As for the cities where the Group has recently commenced operation, such as Zhanjiang, Zhengzhou and Beihai, the Group has made a breakthrough in the residential projects managed by the owner's committee for the first time, broadened its service scope, and obtained nine major system certification certificates, including standardised grading, equipment maintenance services and customer satisfaction evaluation, effectively enhancing market recognition.

4. Enhancing value-added services by standardising operations to support healthy business development to manage the risk of lack of quality control

   The Yueke segment released the "Resource Allocation Benchmark and Inventory Manual" to better utilize idle resources and enhance their utilization rate. In agency segment, the Group further standardised the use of systems and implemented a paperless signing procedure. In Yueguan segment, with the goal of "improving project delivery quality", the Group established an internal project inspection management system to ensure delivery quality.

5. Cultivating team building and improving occupational safety to manage talent risks and occupational hazards

   In terms of talent retention, the Group comprehensively promoted the reinforcement of key posts, enriched its talent cultivation model and continuously developed internal training courses to enhance the knowledge and skills of its employees. In terms of safety system, the Group focused on promoting the rectification of major safety hazards in expansion projects, ageing projects and newly delivered projects, and developed a comprehensive list of facility and equipment safety for 12 sites to manage occupational hazards.

6. Enhancing audit accountability and rectification efforts to cope with the risk of insufficient audit supervision

   The Group implemented audit rectification as an important means of daily supervision, and enhanced the staff's accountability for issues identified in audits, and introduced the management concept of "breach of duty must be held accountable and accountability must be strict". To promote risk management and control capabilities, the Audit and Legal Department initiated a risk control study for expansion projects, and prepared and issued the "Safety Risk Control Guidelines for Expansion Projects" to improve the overall control mechanism. Combining the typical cases found in the audit and the corporate values of Yuexiu Services, the Group successfully cultivated a compliance culture and improved the compliance awareness among all employees.

# RISK MANAGEMENT REPORT

## V. INTERNAL CONTROL

The Board is responsible for developing an adequate internal control system for the Group. The Audit Committee shall review the internal control system for each financial year on a half-yearly basis to ensure the system is adequate.

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

During the Year, the internal audit function performed under the leadership of the Board and the Audit Committee. The Audit Committee has reviewed the effectiveness of the Group's internal control system on financial, operational, compliance and business matters and reported the results to the Board. No material negligence or significant deficiencies were identified by the Audit and Legal Department during the Year.

## VI. EFFECTIVENESS REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

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

pwc

羅兵咸永道

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

## OPINION

### WHAT WE HAVE AUDITED

The consolidated financial statements of Yuexiu Services Group Limited (the "Company") and its subsidiaries (the "Group"), which are set out on pages 102 to 194, comprise:

- the consolidated balance sheet as at 31 December 2023;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, comprising material accounting policy information and other explanatory information.

### OUR OPINION

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

## BASIS FOR OPINION

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

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

### INDEPENDENCE

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

# INDEPENDENT AUDITOR'S REPORT

## KEY AUDIT MATTERS

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

Key audit matters identified in our audit are summarised as follows:

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

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|---|
| **Estimation of goodwill impairment**<br><br>Refer to note 4(c) "Critical accounting estimates and judgements" and note 17 "Intangible assets" to the consolidated financial statements.<br><br>As at 31 December 2023, the Group had goodwill of approximately RMB260,408,000 which is arisen from the Group's acquisition of two subsidiaries in 2020 (the "2020 Acquired Group" and acquisition of one subsidiary in 2022 (the "2022 Acquired Subsidiary").<br><br>For the purposes of goodwill impairment assessment, management of the Company ("management") considered the 2020 Acquired Group as one cash-generating-unit (the "CGU") and the 2022 Acquired Subsidiary as one CGU, respectively. With the assistance of an independent external valuer (the "External Valuer"), management has determined the recoverable amount of the CGU based on value-in-use ("VIU") calculation which required management to forecast the future cash flows of the 2020 Acquired Group and 2022 Acquired Subsidiary respectively, based on the approved financial budgets. The key assumptions as adopted in the VIU calculation primarily include (1) annual growth rate of revenue, (2) gross margin, (3) long-term growth rate, and (4) pre-tax discount rate. | We have performed the following procedures to address this key audit matter:<br><br>• Understood, evaluated and tested the internal controls over the impairment assessment of goodwill and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as estimation complexity, subjectivity, changes and susceptibility to management bias or fraud;<br><br>• Assessed the appropriateness of the management's identification of the cash-generating-units based on the Group's accounting policies and our understanding of the Group's business;<br><br>• Evaluated the competency, capabilities and objectivity of the External Valuer;<br><br>• Performed a retrospective review by comparing the prior year's cash flow forecasts with the current year's results to assess the reliability and historical accuracy of management's forecasting process;<br><br>• Involved our internal valuation experts to evaluate the appropriateness of the methodology applied in the impairment assessment and assess the reasonableness of the pre-tax discount rate with reference to those as adopted by comparable listed companies; |

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

# INDEPENDENT AUDITOR'S REPORT

| Key Audit Matters | How our audit addressed the Key Audit Matter |
|---|---|
| **Assessment of the expected credit losses of trade receivables**<br><br>Refer to note 3.1(b) "Credit risks", note 4(a) "Critical accounting estimates and judgements" and note 20 "Trade and other receivables and prepayments" to the consolidated financial statements.<br><br>As at 31 December 2023, the gross amount of trade receivables amounted to approximately RMB609,286,000. Management has assessed the expected credit losses ("ECL") of trade receivables and the provision for loss allowance as recognised on trade receivables amounted to RMB35,762,000 as of 31 December 2023.<br><br>The Group has applied the permitted simplified approach to measure the lifetime ECL for its trade receivables. To measure the ECL, trade receivables were grouped based on shared credit risk characteristics. Management assessed the ECL based on estimation about risk of default and expected loss rates, and judgment was used in making these assumptions and selecting the inputs to the impairment calculation, including the historical settlement records, aging profiles, credit ratings, financial positions of the customers and other factors that impacted their ability of repayment. Management also took into account of the current market conditions and forward-looking factors. | We have performed the following procedures to address this key audit matter:<br><br>• Understood, evaluated and tested the internal controls over management's assessment of ECL of trade receivables and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors, such as complexity of model and subjectivity of significant assumptions and data used;<br><br>• Assessed the appropriateness of the grouping of trade receivables based on shared credit risk characteristics and aging periods, and the credit loss provisioning model adopted by management;<br><br>• Assessed the reasonableness of management's estimates on expected credit loss rates by reference to the supporting information in relation to the debtors' subsequent settlement, financial position and debt repayment ability etc. and compared management's assessment of the debtors' financial position and debt repayment ability with publicly available information and supporting evidence (e.g. credit rating and industry data etc.);<br><br>• Tested, on a sample basis, the accuracy of aging analysis of trade receivables prepared by management to the underlying supporting documents; |

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

## OTHER INFORMATION

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

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

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

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

## RESPONSIBILITIES OF DIRECTORS AND THE AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The Audit Committee is responsible for overseeing the Group's financial reporting process.

# INDEPENDENT AUDITOR'S REPORT

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

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

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

**PricewaterhouseCoopers**
*Certified Public Accountants*

Hong Kong, 18 March 2024

# CONSOLIDATED INCOME STATEMENT

| | | Year ended 31 December | |
|---|---|---|---|
| | Note | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Revenue | 5 | **3,223,631** | 2,486,205 |
| Cost of sales | 6 | **(2,367,004)** | (1,806,764) |
| Gross profit | | **856,627** | 679,441 |
| Administrative expenses | 6 | **(279,327)** | (210,928) |
| Net impairment losses on financial and contract assets | 3.1(b) | **(7,638)** | (3,576) |
| Other income | 8 | **19,569** | 24,849 |
| Other (losses)/gains - net | 9 | **(4,280)** | 14,407 |
| **Operating profit** | | **584,951** | 504,193 |
| Finance income | | **106,925** | 74,813 |
| Finance costs | | **(4,887)** | (3,140) |
| Finance income - net | 10 | **102,038** | 71,673 |
| Share of results of joint ventures | | **153** | 116 |
| **Profit before income tax** | | **687,142** | 575,982 |
| Income tax expense | 12 | **(187,260)** | (151,564) |
| **Profit for the year** | | **499,882** | 424,418 |
| **Profit attributable to:** | | | |
| – Owners of the Company | | **487,020** | 416,099 |
| – Non-controlling interests | | **12,862** | 8,319 |
| | | **499,882** | 424,418 |
| Earnings per share (expressed in RMB per share) | | | |
| – Basic and diluted earnings per share | 13 | **0.32** | 0.27 |

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

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Note | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Profit for the year** | | **499,882** | 424,418 |
| **Other comprehensive income** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| – Exchange differences on translation of foreign operations | | **(938)** | 7,448 |
| *Items that will not be reclassified to profit or loss* | | | |
| – Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax | | **1,044** | 15 |
| **Other comprehensive income for the year, net of tax** | | **106** | 7,463 |
| **Total comprehensive income for the year** | | **499,988** | 431,881 |
| **Total comprehensive income attributable to:** | | | |
| – Owners of the Company | | **487,126** | 423,562 |
| – Non-controlling interests | | **12,862** | 8,319 |
| | | **499,988** | 431,881 |

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

# CONSOLIDATED BALANCE SHEET

| | Note | As at 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | 15 | 36,613 | 36,515 |
| Right-of-use assets | 16 | 103,691 | 76,394 |
| Intangible assets | 17 | 332,921 | 344,253 |
| Interest in joint ventures | | 2,867 | 933 |
| Financial assets at fair value through other comprehensive income | 19 | 33,624 | 32,156 |
| Deferred income tax assets | 25 | 12,677 | 10,858 |
| Restricted cash | 21 | 11,001 | 29,147 |
| | | 533,394 | 530,256 |
| **Current assets** | | | |
| Inventories | | 10,280 | 6,301 |
| Contract assets | 5 | 75,674 | 37,518 |
| Trade and other receivables and prepayments | 20 | 1,026,956 | 984,777 |
| Prepaid income taxes | | 26,916 | 24,097 |
| Cash and cash equivalents | 21 | 4,695,204 | 4,360,789 |
| Restricted cash | 21 | 29,658 | 4,108 |
| Fixed bank deposits | 21 | 9,062 | — |
| | | 5,873,750 | 5,417,590 |
| **Total assets** | | 6,407,144 | 5,947,846 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 22 | 2,543,048 | 2,543,048 |
| Other reserves | 23 | (296,242) | (332,519) |
| Retained earnings | 23 | 1,197,774 | 1,012,036 |
| | | 3,444,580 | 3,222,565 |
| **Non-controlling interests** | | 175,875 | 168,661 |
| **Total equity** | | 3,620,455 | 3,391,226 |

| | | As at 31 December | |
|---|---|---|---|
| | Note | 2023 RMB'000 | 2022 RMB'000 |
| **Liabilities** | | | |
| **Non-current liabilities** | | | |
| Contract liabilities | 5 | — | 439,308 |
| Deferred income tax liabilities | 25 | 77,795 | 58,747 |
| Lease liabilities | 16 | 43,614 | 38,062 |
| | | 121,409 | 536,117 |
| **Current liabilities** | | | |
| Trade and other payables | 24 | 1,761,845 | 1,586,635 |
| Contract liabilities | 5 | 808,732 | 355,690 |
| Lease liabilities | 16 | 64,514 | 40,774 |
| Current income tax liabilities | | 30,189 | 37,404 |
| | | 2,665,280 | 2,020,503 |
| **Total liabilities** | | 2,786,689 | 2,556,620 |
| **Total equity and liabilities** | | 6,407,144 | 5,947,846 |

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

The financial statements on pages 102 to 194 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf

**Lin Feng** **Zhang Jianguo**

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| | | Attributable to owners of the Company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note | Share capital RMB'000 (Note 22) | Other reserves RMB'000 (Note 23) | Retained earnings RMB'000 (Note 23) | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| **Balance at 1 January 2022** | | 2,543,048 | (366,854) | 755,575 | 2,931,769 | 158,687 | 3,090,456 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | — | — | 416,099 | 416,099 | 8,319 | 424,418 |
| Other comprehensive income | | — | 7,463 | — | 7,463 | — | 7,463 |
| | | — | 7,463 | 416,099 | 423,562 | 8,319 | 431,881 |
| **Transactions with owners of the Company** | | | | | | | |
| Appropriation of statutory reserves | 23(a) | — | 26,872 | (26,872) | — | — | — |
| Contribution from non-controlling interests | | — | — | — | — | 3,215 | 3,215 |
| Dividend declared for the companies comprising the Group | 14 | — | — | (132,766) | (132,766) | (1,560) | (134,326) |
| | | — | 26,872 | (159,638) | (132,766) | 1,655 | (131,111) |
| **Balance at 31 December 2022** | | 2,543,048 | (332,519) | 1,012,036 | 3,222,565 | 168,661 | 3,391,226 |
| **Balance at 1 January 2023** | | 2,543,048 | (332,519) | 1,012,036 | 3,222,565 | 168,661 | 3,391,226 |
| **Comprehensive income** | | | | | | | |
| Profit for the year | | — | — | 487,020 | 487,020 | 12,862 | 499,882 |
| Other comprehensive income | | — | 106 | — | 106 | — | 106 |
| | | — | 106 | 487,020 | 487,126 | 12,862 | 499,988 |
| **Transactions with owners of the Company** | | | | | | | |
| Appropriation of statutory reserves | 23(a) | — | 29,244 | (29,244) | — | — | — |
| Contribution from non-controlling interests | | — | — | — | — | 7,185 | 7,185 |
| Dividend declared for the companies comprising the Group | 14 | — | — | (272,038) | (272,038) | (12,833) | (284,871) |
| Employee share scheme | 23(b) | — | 6,927 | — | 6,927 | — | 6,927 |
| | | — | 36,171 | (301,282) | (265,111) | (5,648) | (270,759) |
| **Balance at 31 December 2023** | | 2,543,048 | (296,242) | 1,197,774 | 3,444,580 | 175,875 | 3,620,455 |

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

# CONSOLIDATED CASH FLOW STATEMENT

| | Note | Year ended 31 December 2023 RMB'000 | 2022 RMB'000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Cash generated from operations | 26(a) | 875,298 | 899,603 |
| Income tax paid | | (180,289) | (149,184) |
| **Net cash generated from operating activities** | | 695,009 | 750,419 |
| **Cash flows from investing activities** | | | |
| Purchases of property, plant and equipment | | (18,802) | (16,034) |
| Purchases of intangible assets | | (2,100) | (4,094) |
| Proceeds from disposal of property, plant and equipment | | 3,720 | 2,831 |
| Acquisition of a subsidiary (net of cash and cash equivalents acquired) | 17(ii) | — | (5,172) |
| Investments in joint ventures | | (1,781) | — |
| Investments in financial assets at fair value through other comprehensive income | 19(iii) | (200) | — |
| Increase in fixed bank deposits | 21 | (9,062) | — |
| **Net cash used in investing activities** | | (28,225) | (22,469) |
| **Cash flows from financing activities** | | | |
| Capital injections from non-controlling interests | | 7,185 | 3,215 |
| Dividends paid to shareholders and non-controlling interests | 26(b) | (273,598) | (135,886) |
| Principal elements and interest elements of lease payments | 26(b) | (60,875) | (51,777) |
| **Net cash used in financing activities** | | (327,288) | (184,448) |
| **Net increase in cash and cash equivalents** | | 339,496 | 543,502 |
| Cash and cash equivalents at beginning of year | | 4,360,789 | 3,803,434 |
| Effect of exchange rate changes on cash and cash equivalents | | (5,081) | 13,853 |
| **Cash and cash equivalents at end of year** | 21 | 4,695,204 | 4,360,789 |

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 GENERAL INFORMATION

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

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

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

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 18 March 2024.

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES

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

### 2.1 BASIS OF PREPARATION

#### *(i) Compliance with HKFRS and HKCO*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") as issued by the Hong Kong Institute of Certified Public Accountants and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

#### *(ii) Historical cost convention*

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

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.1 BASIS OF PREPARATION (CONTINUED)

#### *(iii) New and amended standards adopted by the Group*

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2023:

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

The Group has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. Except for Note 2.2 as described below, the adoption of these amended standards and interpretation did not result in any significant impact on the results and financial portion of the Group.

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

The following new standards and amendments to existing standards have been published but are not effective for the financial year beginning 1 January 2023 and have not been early adopted by the Group. None of these is expected to have significant effect on the consolidated financial statements of the Group.

| | | Effective for annual periods beginning on or after |
|---|---|---|
| HKAS 1 (Amendments) | Classification of Liabilities as Current or Non-current | 1 January 2024 |
| HKAS 1 (Amendments) | Non-current liabilities with covenants | 1 January 2024 |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause | 1 January 2024 |
| HKFRS 16 (Amendments) | Lease Liability in a Sale and Leaseback | 1 January 2024 |
| HKAS 7 and HKFRS 7 (Amendments) | Supplier Finance Arrangements | 1 January 2024 |
| HKAS 21 (Amendments) | Lack of Exchangeability | 1 January 2025 |
| HKFRS 10 and HKAS 28 (Amendments) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2 BASIS OF PREPARATION AND CHANGES IN ACCOUNTING POLICIES (CONTINUED)

### 2.2 CHANGES IN ACCOUNTING POLICIES

As explained in Note 2.1(iii) above, the Group has adopted the Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities Arising from a Single Transaction" on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB9,721,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and was presented on a net basis on the consolidated balance sheet.

Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 FINANCIAL RISK FACTORS

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

*(a) Market risk*

*(i) Foreign exchange risk*

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

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 FINANCIAL RISK FACTORS (CONTINUED)

### (a) *Market risk* (continued)

(i) *Foreign exchange risk* (continued)

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

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Monetary assets | | |
| -Trade and other receivables and prepayments | **169** | 184 |
| -Cash and cash equivalents | **1,458** | 131,700 |
| | **1,627** | 131,884 |
| Monetary liabilities | | |
| -Trade and other payables | **(223)** | — |
| | **1,404** | 131,884 |

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

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| 5% increase in RMB against HKD | **(59)** | (5,506) |
| 5% decrease in RMB against HKD | **59** | 5,506 |

(ii) *Price risk*

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

The financial assets at FVOCI are unlisted equity instruments in the PRC and at 31 December 2023, if the fair value of these equity investments increased or decreased by 10 percent, the Group's equity would have been increased or decreased by approximately RMB3,312,000 (31 December 2022: RMB3,175,000).

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 FINANCIAL RISK FACTORS (CONTINUED)

#### *(b) Credit risk*

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

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

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

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

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

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

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 FINANCIAL RISK FACTORS (CONTINUED)

### *(b) Credit risk* (continued)

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 FINANCIAL RISK FACTORS (CONTINUED)

*(b) Credit risk* (continued)

*(ii) Trade receivables and contract assets*

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

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

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

The Group has assessed that the expected loss rate for trade receivables and contract assets from related parties as at 31 December 2023 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for trade receivables and contract assets from related parties was recognized.

# 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

## 3.1 FINANCIAL RISK FACTORS (CONTINUED)

### *(b) Credit risk* (continued)

*(ii) Trade receivables and contract assets* (continued)

The expected credit losses below also incorporated forward looking information. As at 31 December 2023 and 2022, the loss allowance provision for the trade receivables and contract assets due from third parties is determined as follows:

| Trade receivables | Up to 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 3 years RMB'000 | Over 3 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2023 | | | | | |
| Expected loss rate | **5%** | **30%** | **50%** | **100%** | |
| Gross carrying amount | **224,979** | **22,594** | **3,962** | **15,754** | **267,289** |
| Loss allowance provision | **11,249** | **6,778** | **1,981** | **15,754** | **35,762** |
| At 31 December 2022 | | | | | |
| Expected loss rate | 5% | 30% | 50% | 100% | |
| Gross carrying amount | 130,128 | 16,173 | 6,207 | 16,850 | 169,358 |
| Loss allowance provision | 6,507 | 4,852 | 3,104 | 16,850 | 31,313 |

| Contract assets | Up to 1 year RMB'000 | 1 to 2 years RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 31 December 2023 | | | |
| Expected loss rate | **5%** | **30%** | |
| Gross carrying amount | **18,795** | **1,670** | **20,465** |
| Loss allowance provision | **940** | **500** | **1,440** |
| At 31 December 2022 | | | |
| Expected loss rate | 5% | 30% | |
| Gross carrying amount | 5,907 | — | 5,907 |
| Loss allowance provision | 295 | — | 295 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 FINANCIAL RISK FACTORS (CONTINUED)

*(b) Credit risk* (continued)

*(iii) Other receivables*

The Group has assessed that the expected loss rate for other receivables from related parties as at 31 December 2023 was immaterial considering the finance position and credit history of the related parties. Thus no loss allowance provision for other receivables from related parties was recognized.

Other than other receivables from related parties, the Group uses the expected credit loss model in Note (i) to determine the loss allowance provision for other receivables. As at 31 December 2023, the Group has assessed that there is no significant increase of credit risk for other receivables since initial recognition. Thus, the Group used the 12 months expected credit losses model to assess credit loss of other receivables, except for certain property management costs recoverable from property owners and tenants.

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

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

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

| | Up to 1 year RMB'000 | 1 to 2 years RMB'000 | 2 to 3 years RMB'000 | Over 3 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| At 31 December 2023 | | | | | |
| Expected loss rate | **5%** | **30%** | **50%** | **100%** | |
| Gross carrying amount | **23,677** | **6,046** | **3,264** | **5,445** | **38,432** |
| Loss allowance provision | **1,185** | **1,814** | **1,632** | **5,445** | **10,076** |
| At 31 December 2022 | | | | | |
| Expected loss rate | 5% | 30% | 50% | 100% | |
| Gross carrying amount | 15,602 | 5,328 | 3,060 | 4,424 | 28,414 |
| Loss allowance provision | 780 | 1,598 | 1,530 | 4,424 | 8,332 |

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 FINANCIAL RISK FACTORS (CONTINUED)

#### *(b) Credit risk* (continued)

*(iii) Other receivables* (continued)

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

| | RMB'000 |
|---|---|
| At 31 December 2023 | |
| Expected loss rate | 1% |
| Gross carrying amount | 189,464 |
| Loss allowance provision | 1,895 |
| At 31 December 2022 | |
| Expected loss rate | 1% |
| Gross carrying amount | 159,464 |
| Loss allowance provision | 1,595 |

As there were no significant changes in the customer base, historical credit loss rate of customers and forward-looking information throughout the year, the Group adopted the same expected credit loss rate for trade and other receivables during the year ended 31 December 2023.

As at 31 December 2023 and 2022, the loss allowance provision for trade and other receivables reconciles to opening loss allowance for that provision as follows:

| | Trade receivables (excluding trade receivables from related parties) RMB'000 | Other receivables (excluding other receivables from related parties and guarantee deposits) RMB'000 | Contract assets (excluding contract assets from related parties) RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| At 1 January 2023 | 31,313 | 9,927 | 295 | 41,535 |
| Net impairment losses on financial assets | 4,449 | 2,044 | 1,145 | 7,638 |
| At 31 December 2023 | 35,762 | 11,971 | 1,440 | 49,173 |
| At 1 January 2022 | 29,488 | 8,471 | — | 37,959 |
| Net impairment losses on financial assets | 1,825 | 1,456 | 295 | 3,576 |
| At 31 December 2022 | 31,313 | 9,927 | 295 | 41,535 |

As at 31 December 2023, the gross carrying amount of trade and other receivables and contract assets was RMB1,091,528,000 (2022: RMB1,019,126,000) and thus the maximum exposure to loss was RMB1,042,355,000 (2022: RMB977,591,000).

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.1 FINANCIAL RISK FACTORS (CONTINUED)

#### *(c) Liquidity risk*

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

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

| | Less than 1 year RMB'000 | Between 1 and 2 years RMB'000 | Between 2 and 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| As at 31 December 2023 | | | | | |
| Trade and other payables (excluding accrued payroll liabilities and other tax payable) | **1,547,829** | **—** | **—** | **—** | **1,547,829** |
| Lease liabilities | **60,810** | **37,166** | **16,648** | **187** | **114,811** |
| | **1,608,639** | **37,166** | **16,648** | **187** | **1,662,640** |

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

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.2 CAPITAL MANAGEMENT

*Risk management*

The Group's objectives when managing capital are to:

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

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

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

As at 31 December 2023 and 2022, the Group maintained at net cash position.

### 3.3 FAIR VALUE ESTIMATION

*(a) Financial assets and liabilities*

*(i) Fair value hierarchy*

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

**Level 1:** The fair value of financial instruments traded in active markets (such as publicly traded derivatives and equity securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. The quoted market price already incorporates the market's assumptions with respect to changes in economic climate such as rising interest rates and inflation, as well as changes due to ESG risk. These instruments are included in level 1.

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

**Level 3:** If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case for unlisted equity securities and for instruments where ESG risk gives rise to a significant unobservable adjustment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 FAIR VALUE ESTIMATION (CONTINUED)

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

(i) *Fair value hierarchy* (continued)

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **Level 3** | Level 3 |
| | **RMB'000** | RMB'000 |
| Financial assets at FVOCI (Note 19) | **33,624** | 32,156 |

There were no transfers between levels 1, 2 and 3 for recurring fair value measurements during the year ended 31 December 2023.

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

Specific valuation techniques used to value financial instruments include:

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

There were no changes in valuation techniques.

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

Refer to Note 19 for the changes in recurring fair value measurement of financial assets of FVOCI in level 3 for the years ended 31 December 2023 and 2022.

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 FAIR VALUE ESTIMATION (CONTINUED)

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

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

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

| Description | Fair value at 31 December 2023 RMB'000 | Valuation technique | Unobservable inputs |
|---|---|---|---|
| – Unlisted equity security* | 31,620 | Summation Method | Value of each asset/liability |
| – Unlisted equity security** | 1,804 | Summation Method | Value of each asset/liability |
| – Unlisted equity security*** | 200 | Summation Method | Value of each asset/liability |

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

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

* If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB316,000 and RMB305,000 higher/lower at as 31 December 2023 and 2022, respectively.

** If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB14,000 and RMB12,000 higher/lower at as 31 December 2023 and 2022, respectively.

*** If the expected value of each asset of this equity investment had been 100 basis points higher/lower or expected value of each liability of this equity investment had been 100 basis points lower/higher, the Group's equity would have been approximately RMB2,000 higher/lower at as 31 December 2023.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 3 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 3.3 FAIR VALUE ESTIMATION (CONTINUED)

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

*(v) Fair value of other financial assets and liabilities*

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

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

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

*(vi) Valuation processes*

The Group engages external, independent and qualified valuers to determine the fair value of financial assets of FVOCI. As at 31 December 2023, the fair values of the financial assets of FVOCI have been determined by Jones Lang LaSalle Corporate Appraisal and Advisory Limited.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### (a) Expected credit losses on receivables

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

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

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (b) Current and deferred income tax

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

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

### (c) Estimation of goodwill impairment

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2023 reporting period, the recoverable amount of cash-generating units ("CGUs") was determined based on value-in-use ("VIU") calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using estimated long-term growth rates stated in Note 17. These growth rates are consistent with forecasts included in industry reports specific to the industry in which the CGU operates. The discount rate used is pre-tax and reflects specific risks relating to the relevant industry. Key assumptions on cash flow projections include sales volume, sales price, budgeted gross margin, long-term growth rate and pre-tax discount rate. The management also considers impact of possible changes in key assumptions on the results of goodwill impairment test.

The goodwill of the Group is arised from two business combinations as completed in November 2020 and October 2022, respectively. As at 31 December 2023, the management considers that there is no goodwill impairment after assessment.

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

### (d) Estimation of the useful life of customer relationships

The Group's customer relationships included in intangible assets (Note 17) were identified in the business combination that the Group acquired target companies from Guangzhou Metro Group Co., Ltd. ("GZ Metro"). As at the acquisition date, customer relationships from contracts from GZ Metro amounting to RMB88,273,000 have finite useful life of 10 years. Other than those contracts from GZ Metro, customer relationships amounting to RMB4,099,000 have finite useful life of 7 years.

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

## 5 SEGMENT INFORMATION

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

The Group has two business segments:

**– Non-commercial property management and value-added services**

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

**– Commercial property management and operational services**

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results

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

For the year ended 31 December 2023

| | Non-commercial property management and value-added services RMB'000 | Commercial property management and operational services RMB'000 | Total RMB'000 |
|---|---|---|---|
| **Revenue from contracts with customers recognized** | | | |
| – At a point in time | 473,753 | — | 473,753 |
| – Over time | 2,154,815 | 593,014 | 2,747,829 |
| **Revenue from other sources** | 1,549 | 500 | 2,049 |
| **Total revenue** | 2,630,117 | 593,514 | 3,223,631 |
| **Segment results** | 466,245 | 132,906 | 599,151 |
| Other income | | | 19,569 |
| Other losses - net | | | (4,280) |
| Unallocated operating costs | | | (29,336) |
| Finance income - net | | | 102,038 |
| Income tax expense | | | (187,260) |
| **Profit for the year** | | | 499,882 |
| **Segment results include:** | | | |
| Depreciation | 32,380 | 40,560 | 72,940 |
| Amortization | 13,432 | — | 13,432 |
| Net impairment losses on financial and contract assets | 7,237 | 401 | 7,638 |
| Share of results of joint ventures | (153) | — | (153) |

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results (continued)

For the year ended 31 December 2022

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

### (a) Segment revenue and results (continued)

An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| **Non-commercial property management and value-added services** | | |
| – Property management services | 1,029,024 | 811,692 |
| – Value-added services to non-property owners | 669,295 | 479,370 |
| – Community value-added services | 931,798 | 650,043 |
| **Commercial property management and operational services** | | |
| – Commercial operation and management services | 486,174 | 423,475 |
| – Market positioning consultancy and tenant sourcing services | 107,340 | 121,625 |
| | 3,223,631 | 2,486,205 |

The Group had a large number of customers, other than ultimate holding company, intermediate holding company, fellow subsidiaries, associates and joint ventures of Yuexiu Property and non-controlling interest of Yuexiu Property and its subsidiaries, none of the customers contributed 10% or more of the Group's revenue for the years ended 31 December 2023 and 2022.

## 5 SEGMENT INFORMATION (CONTINUED)

### (b) Segment assets and liabilities

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

The segment assets and liabilities of the Group as at 31 December 2023 and 2022 are as follows:

| | Non-commercial property management and value-added services | | Commercial property management and operational services | | Total | |
|---|---|---|---|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 | 2023 RMB'000 | 2022 RMB'000 |
| Segment assets | 3,791,836 | 3,572,655 | 968,116 | 966,418 | 4,759,952 | 4,539,073 |
| Financial assets at FVOCI | | | | | 33,624 | 32,156 |
| Prepaid income taxes | | | | | 26,916 | 24,097 |
| Deferred income tax assets | | | | | 12,677 | 10,858 |
| Other corporate assets | | | | | 1,573,975 | 1,341,662 |
| Total assets | | | | | 6,407,144 | 5,947,846 |
| Segment liabilities | 2,137,562 | 1,974,319 | 529,306 | 475,997 | 2,666,868 | 2,450,316 |
| Deferred income tax liabilities | | | | | 77,795 | 58,747 |
| Current income tax liabilities | | | | | 30,189 | 37,404 |
| Other corporate liabilities | | | | | 11,837 | 10,153 |
| Total liabilities | | | | | 2,786,689 | 2,556,620 |
| Capital expenditure | 25,113 | 60,033 | 82,579 | 32,545 | 107,692 | 92,578 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

### (c) Geographical distribution

Revenue from external customers by geographical location is as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB' 000 | 2022<br>RMB' 000 |
| Mainland China | 3,136,431 | 2,411,562 |
| Hong Kong | 87,200 | 74,643 |
| | 3,223,631 | 2,486,205 |

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

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB' 000 | 2022<br>RMB' 000 |
| Mainland China | 419,125 | 461,836 |
| Hong Kong | 67,968 | 25,406 |
| | 487,093 | 487,242 |

## 5 SEGMENT INFORMATION (CONTINUED)

### (d) Contract assets

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

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Contract assets relating to construction contracts | | |
| – Related parties (Note 29(d)) | **56,649** | 31,906 |
| – Third parties | **20,465** | 5,907 |
| Less: allowance for impairment of contract assets | **(1,440)** | (295) |
| | **75,674** | 37,518 |

*(i) Significant changes in contract assets*

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for service contracts. The Group also recognised a loss allowance for contract assets following the adoption of HKFRS 9, see Note 3.1(b) for further information.

*(ii)* As at 31 December 2023 and 31 December 2022, the amount of contract assets is expected to be completed within one year.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

### (e) Contract liabilities

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

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Contract liabilities | | |
| – Related parties (Note 29(d)) | 86,084 | 31,855 |
| – Third parties | 722,648 | 763,143 |
| | 808,732 | 794,998 |
| Less: non-current portion of contract liabilities | — | (439,308) |
| Current portion of contract liabilities | 808,732 | 355,690 |

*(i) Significant changes in contract liabilities*

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as at 31 December 2023 as a result of the growth of the Group's business.

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

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

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| **Revenue recognized that was included in the balance of contract liabilities at the beginning of the year** | | |
| Non-commercial property management and value-added services | 424,090 | 281,494 |
| Commercial property management and operational services | 14,151 | 18,571 |
| | 438,241 | 300,065 |

## 5 SEGMENT INFORMATION (CONTINUED)

### (e) Contract liabilities (continued)

#### *(iii) Unsatisfied long-term decoration services contracts*

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

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Aggregate amount of the transaction price allocated to long-term decoration services contracts that are partially or fully unsatisfied as at 31 December | **348,139** | 539,526 |

Management expects that 100% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2023 will be recognised as revenue during the next reporting period (RMB348,139,000). The amount disclosed above does not include variable consideration which is constrained.

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

### (f) Unsatisfied performance obligations

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

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

During the years ended 31 December 2023 and 2022, there was no significant incremental costs to obtain a contract.

### (h) Accounting policies of revenue recognition

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

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

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

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

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

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

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

## 5 SEGMENT INFORMATION (CONTINUED)

### (h) Accounting policies of revenue recognition (continued)

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

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

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

#### *(ii) Commercial property management and operational services*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 5 SEGMENT INFORMATION (CONTINUED)

### (h) Accounting policies of revenue recognition (continued)

#### *(ii) Commercial property management and operational services* (continued)

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

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

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

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

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

#### *(iii) Contract asset and contract liabilities*

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

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

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

## 6 EXPENSES BY NATURE

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Employee benefit expenses (Note 7) | 1,028,233 | 938,048 |
| Subcontractor costs for decoration and other services | 399,693 | 226,950 |
| Gardening and cleaning | 370,052 | 259,345 |
| Cost of goods sold | 198,147 | 91,321 |
| Maintenance costs | 180,863 | 114,886 |
| Depreciation and amortization charges | 86,372 | 78,962 |
| Utilities | 75,640 | 57,975 |
| Promotion and advertising | 61,468 | 17,981 |
| Commission fees | 60,647 | 74,122 |
| Cost of consumables | 49,763 | 38,675 |
| Short-term lease payments (Note 16) | 47,600 | 43,681 |
| Consultancy fees | 26,664 | 27,676 |
| Taxes and other levies expenses | 17,735 | 14,656 |
| Office expenses | 17,683 | 12,202 |
| Travelling and entertainment expenses | 10,818 | 8,431 |
| Bank charges | 4,706 | 4,009 |
| Auditor's remuneration | 2,900 | 2,850 |
| – Audit services | 1,900 | 1,850 |
| – Non-audit services | 1,000 | 1,000 |
| Others | 7,347 | 5,922 |
| | 2,646,331 | 2,017,692 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 7 EMPLOYEE BENEFIT EXPENSES

| | Year ended 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Wages, salaries and bonuses | **805,437** | 744,856 |
| Share based payment (Note 23 (b)) | **6,927** | — |
| Pension costs, housing benefits and social insurance expenses (Note (a)) | **140,246** | 130,086 |
| Other employee benefits (Note (b)) | **75,623** | 63,106 |
| | **1,028,233** | 938,048 |

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

During the year ended 31 December 2023, no forfeited contributions were utilised by the Group to reduce its contributions for the current year (2022: Nil).

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

**(c)** Five highest paid individuals

The five individuals whose emoluments were the highest in the Group included 3 (2022:2) directors for the year ended 31 December 2023, whose emoluments are reflected in the analysis shown in Note 31. The emoluments payable to the remaining 2 (2022: 3) individuals during the year ended 31 December 2023 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Basic salaries, housing allowances, other allowances and benefits in kind | **1,318** | 1,904 |
| Discretionary bonuses | **2,688** | 3,582 |
| Share based payment | **816** | — |
| Contribution to pension scheme | **68** | 97 |
| | **4,890** | 5,583 |

## 7 EMPLOYEE BENEFIT EXPENSES (CONTINUED)

(c) Five highest paid individuals (continued)

The emoluments fell within the following bands:

| | Number of individuals Year ended 31 December | |
|---|---|---|
| | 2023 | 2022 |
| Emolument bands | | |
| HKD2,000,001 - HKD2,500,000 | — | 3 |
| HKD2,500,001 – HKD3,000,000 | 2 | — |
| | 2 | 3 |

## 8 OTHER INCOME

| | Year ended 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Additional input value-added tax deduction(Note (a)) | 10,587 | 10,365 |
| Government grants (Note (b)) | 6,803 | 10,191 |
| Penalty income | 2,179 | 3,613 |
| Dividends income from financial assets at FVOCI | — | 680 |
| | 19,569 | 24,849 |

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

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

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

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 9 OTHER (LOSSES)/GAINS – NET

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Net foreign exchange (losses)/gains | (5,081) | 13,853 |
| Losses on disposal of property, plant and equipment | (27) | (32) |
| Others | 828 | 586 |
| | (4,280) | 14,407 |

## 10 FINANCE INCOME - NET

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| **Finance income** | | |
| Interests income from bank deposits | 106,925 | 74,813 |
| **Finance costs** | | |
| Interest expense of lease liabilities (Note 16) | (4,887) | (3,140) |
| **Finance income – net** | 102,038 | 71,673 |

## 11 SUBSIDIARIES

### (a) Subsidiaries

The subsidiaries of the Company as at 31 December 2023 and 2022 are as follows:

| Company name | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 |
| **Directly held by the Company:** | | | | | | | |
| Golden Estates Development Limited | The BVI, Limited liability company | United States Dollar ("USD")2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Zippenes Limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Brander Limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Richardland Limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Greater Rich Group Limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Digital Victor Holdings limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Smart Value Enterprises Limited | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Major Benefit Management Ltd. | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Ever Famous Investments Ltd. | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Winner Zone Holdings Ltd. | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| All Plus Enterprises Ltd. | The BVI, Limited liability company | USD2 | Investment holding in BVI | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiu Service Co., Ltd. (i) | The PRC, Limited liability company | RMB850,000,000 | Investment holding in Mainland of the PRC | 100% | 100% | 0% | 0% |
| **Indirectly held by the Company:** | | | | | | | |
| Guangzhou Yuexiu Property Development Co., Ltd. (i) | The PRC, Limited liability company | RMB100,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou City Construction & Development Weicheng Enterprise Ltd. (i) | The PRC, Limited liability company | RMB955,300 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yueguan Intelligent Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB20,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiuhui Information Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB500,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Weicheng Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB600,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Wanlian Property Management Operation Co., Ltd. (i) | The PRC, Limited liability company | RMB600,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 SUBSIDIARIES (CONTINUED)

### (a) Subsidiaries (continued)

| Company name | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 |
| **Indirectly held by the Company (Continued):** | | | | | | | |
| Guangzhou City Yuexiu Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Property management in Mainland of the PRC | 60% | 60% | 40% | 40% |
| Yuexiu Property (Shandong) Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Zhongshan Yuexiu Real Estate Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Yuexiu Property (Jiangmen) Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Jiangmen Yuexiu Riverside Property Service Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 67% | 67% | 33% | 33% |
| Wuhan Modern Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB500,000 | Property management in Mainland of the PRC | 70% | 70% | 30% | 30% |
| Guangzhou Yuexiu Yicheng Business Operation Management Co., Ltd. (i) | The PRC, Limited liability company | RMB100,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiu Commercial Management Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yue Xiu City Construction Jones Lang Lasalle Property Services Co., Ltd. ("**GZYXJLL**") (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 80% | 80% | 20% | 20% |
| Guangzhou Baima Business Operation Management Co.,Ltd. (i) | The PRC, Limited liability company | RMB19,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Zhonggang Leather Trading Centre Business Operation Management Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Kangsai Economic Information Consulting Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Lexi Industrial Development Co., Ltd. (i) | The PRC, Limited liability company | RMB50,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yueting International Economic Information Consulting Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Lianxiu Economic Information Consulting Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Metro Environmental Engineering Co., Ltd. ("**GZMEE**") (i) | The PRC, Limited liability company | RMB10,060,000 | Property management in Mainland of the PRC | 67% | 67% | 33% | 33% |
| Guangzhou Metro Property Management Co., Ltd. ("**GZMPM**") (i) (ii) | The PRC, Limited liability company | RMB5,010,000 | Property management in Mainland of the PRC | 67% | 67% | 33% | 33% |
| Guangyue Property Management (Guangzhou) Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Property management in Mainland of the PRC | 60% | 60% | 40% | 40% |
| Zhejiang Yuexiu Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |

## 11 SUBSIDIARIES (CONTINUED)

### (a) Subsidiaries (continued)

| Company name | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 |
| **Indirectly held by the Company (Continued):** | | | | | | | |
| Yuexiu (Wuhan) Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Yuexiu Property (Shenyang) Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Chengbin Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guang Zhou Yue Meiju Industrial Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Interior decoration in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Wuxi Yuexiu Property Development Co., Ltd. (i) | The PRC, Limited liability company | RMB2,000,000 | Property management in Mainland of the PRC | 51% | 51% | 49% | 49% |
| Ningbo Yuexiu Property Service Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Haiyue Property Service Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangdong Yue zhi Dun Security Service Co., Ltd. (i) | The PRC, Limited liability company | RMB12,000,000 | Security service in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yueyun Wisdom Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB8,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Hubei Yuexiu Construction Operation Management Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 51% | 51% | 49% | 49% |
| Guangzhou Tianhe District Yuefu Real Estate Brokerage Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Hangzhou Yuefu Real Estate Brokerage Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Nansha District Yuefu Real Estate Brokerage Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Suzhou Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiu South Intelligence Media Commercial Operation Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 60% | 60% | 40% | 40% |
| Guangzhou Yuexing Real estate Consulting Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Contract consulting Service in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Jiangmen Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Zhongshan Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 SUBSIDIARIES (CONTINUED)

### (a) Subsidiaries (continued)

| Company name | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 |
| Indirectly held by the Company (Continued): | | | | | | | |
| Wuxi Yixiu Property Development Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 40.8% | 40.8% | 59.2% | 59.2% |
| Foshan Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Yantai Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Qingdao Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Wuhan Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Chengdu Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Shenyang Yuefu Real Estate Agency Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Agency in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiu Yunyue Property Services Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Wuhan City Yuexiu Hanjin City Operation Services Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 51% | 51% | 49% | 49% |
| Wuhan City Yuexiu Smart City Operation Services Co., Ltd. (i) | The PRC, Limited liability company | RMB2,000,000 | Property management in Mainland of the PRC | 51% | 51% | 49% | 49% |
| Guangzhou Yuexiu Cultural Tourism Development Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Hainan Yuexiu Kaiwei Property Services Co., Ltd. (i) | The PRC, Limited liability company | RMB2,000,000 | Property management in Mainland of the PRC | 51% | 51% | 49% | 49% |
| Guangzhou City Bingxin Property Management Co., Ltd. (i) | The PRC, Limited liability company | RMB6,000,000 | Property management in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuejia Real Estate Consulting Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Consulting services in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yuexiu Yicheng South District Commercial Operation Management Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Commercial service in Mainland of the PRC | 100% | 100% | 0% | 0% |
| Guangzhou Yueao Elevator Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB10,000,000 | Commercial service in Mainland of the PRC | 51% | NA | 49% | NA |
| Guangzhou Yuexiu Wanggu City Service Co., Ltd. (i) | The PRC, Limited liability company | RMB3,000,000 | Commercial service in Mainland of the PRC | 51% | NA | 49% | NA |
| Chongqing Yuyue Property Service Co., Ltd. (i) | The PRC, Limited liability company | RMB5,000,000 | Commercial service in Mainland of the PRC | 51% | NA | 49% | NA |
| Guangzhou Yueyang Information Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Commercial service in Mainland of the PRC | 100% | NA | 0% | NA |

## 11 SUBSIDIARIES (CONTINUED)

### (a) Subsidiaries (continued)

| Company name | Place of incorporation and kind of legal entity | Registered/ issued and paid-up capital | Principal activities and place of operation | Ownership interest held by the Group | | Ownership interest held by non-controlling interests | |
|---|---|---|---|---|---|---|---|
| | | | | 2023 | 2022 | 2023 | 2022 |
| **Indirectly held by the Company (Continued):** | | | | | | | |
| Guangzhou Yueshun Information Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Commercial service in Mainland of the PRC | 100% | NA | 0% | NA |
| Hangzhou Yuechen Information Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Commercial service in Mainland of the PRC | 100% | NA | 0% | NA |
| Guangzhou Nansha Yuemin Information Technology Co., Ltd. (i) | The PRC, Limited liability company | RMB1,000,000 | Commercial service in Mainland of the PRC | 100% | NA | 0% | NA |
| Suzhou Yuequ Commercial Property Management Co., Ltd (i) | The PRC, Limited liability company | RMB3,000,000 | Commercial service in Mainland of the PRC | 100% | NA | 0% | NA |
| Link Access Limited | Hong Kong, Limited liability company | HKD10,868,175 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Fort Fortune Limited | Hong Kong, Limited liability company | HKD10,980,906 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Broadland International Limited | Hong Kong, Limited liability company | HKD21,299,853 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Fort Yield Limited | Hong Kong, Limited liability company | HKD1,604,782 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Health International Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Affirm Greatest Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Tristate Investment Development Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Yue Xiu APT Parking Limited | Hong Kong, Limited liability company | HKD28,010,000 | Property Management in Hong Kong | 100% | 100% | 0% | 0% |
| Yue Xiu Property Management Limited | Hong Kong, Limited liability company | HKD10,000 | Property Management in Hong Kong | 100% | 100% | 0% | 0% |
| Pine Tech Corporation Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Tri-Full Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Fortune Choice (China) Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| Shun Hing (China) Limited | Hong Kong, Limited liability company | HKD1 | Investment holding in Hong Kong | 100% | 100% | 0% | 0% |
| City Property Management (H.K.) Limited | Hong Kong, Limited liability company | HKD100,000 | Property Management in Hong Kong | 100% | NA | 0% | NA |

* The English names of the subsidiaries in the PRC represent the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 11 SUBSIDIARIES (CONTINUED)

### (a) SUBSIDIARIES (continued)

#### *(i) Significant restrictions*

Cash and short-term deposits held in Asian countries (including China) are subject to local exchange control regulations. These regulations provide for restrictions on exporting capital from those countries, other than through normal dividends.

The carrying amount of the assets included within the consolidated financial statements to which these restrictions apply is RMB3,567,809,000 at 31 December 2023 (31 December 2022: RMB3,015,436,000).

*(ii)* GZMPM is a wholly-owned subsidiary of GZMEE (collectively, the "GZMEE Group").

### (b) SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS

Set out below is summarised financial information for each subsidiary that has non-controlling interests that are material to the Group. The amounts disclosed for each subsidiary are before inter-company eliminations.

| **Summarised consolidated balance sheet** | **GZMEE Group** | |
|---|---|---|
| | **2023**<br>**RMB'000** | 2022<br>RMB'000 |
| Current assets | **247,865** | 220,867 |
| Current liabilities | **(103,627)** | (62,509) |
| **Current net assets** | **144,238** | 158,358 |
| Non-current assets | **73,183** | 80,525 |
| Non-current liabilities | **(19,182)** | (22,749) |
| **Non-current net assets** | **54,001** | 57,776 |
| Net assets | **198,239** | 216,134 |
| Accumulated non-controlling interests ("NCI") | **151,897** | 155,932 |

## 11 SUBSIDIARIES (CONTINUED)

### (b) SUBSIDIARY WITH MATERIAL NON-CONTROLLING INTERESTS (continued)

| Summarised consolidated statement of comprehensive income | GZMEE Group | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Revenue | 291,866 | 291,335 |
| **Profit for the year** | 21,933 | 27,731 |
| Other comprehensive income | — | — |
| **Total comprehensive income** | 21,933 | 27,731 |
| Profit allocated to NCI | 7,238 | 9,151 |
| Dividends paid to NCI | — | — |

| Summarised cash flows | GZMEE Group | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Cash flows from operating activities | 16,258 | 31,294 |
| Cash flows from investing activities | (2,692) | (1,378) |
| Cash flows from financing activities | (2,308) | (1,035) |
| Net increase in cash and cash equivalents | 11,258 | 28,881 |

## 12 INCOME TAX EXPENSE

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| **Current taxation** | | |
| Current income tax | 170,255 | 134,450 |
| Corporate withholding income tax | — | 12,131 |
| **Deferred taxation** | | |
| Deferred income tax | (7,190) | (1,162) |
| Corporate withholding income tax on undistributed profits | 24,195 | 6,145 |
| | 187,260 | 151,564 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 12 INCOME TAX EXPENSE (CONTINUED)

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Profit before income tax | 687,142 | 575,982 |
| Tax calculated at corporate income tax rate of 25% | 171,786 | 143,996 |
| - Effect of different tax rates applicable to certain subsidiaries | (9,065) | (7,576) |
| - Income not subject to tax | (2,144) | (3,687) |
| - Expenses not deductible for tax purposes | 323 | 596 |
| - Tax losses and deductible temporary differences for which no deferred income tax asset was recognized | 2,558 | 681 |
| - Utilization of previously unrecognized tax losses | (355) | (693) |
| - Share of results of joint ventures | (38) | (29) |
| - Corporate withholding income tax | 24,195 | 18,276 |
| Income tax expense | 187,260 | 151,564 |

### HONG KONG PROFIT TAX

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the "Bill") which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax regime, the first HKD2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

The two-tiered profits tax regime was applicable to certain group companies incorporated in Hong Kong during the years ended 31 December 2023 and 2022.

### PRC CORPORATE INCOME TAX

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC were qualified as "Small Low-Profit Enterprise" and taxed at the reduced tax rate of 20% from 1 January 2008. During the year ended 31 December 2023, the "Small Low-Profit Enterprise" whose taxable income is less than RMB3 million enjoy the preferential income tax treatment with the income tax rate of 20% and are eligible to have their tax calculated based on 25% of their taxable income.

## 12 INCOME TAX EXPENSE (CONTINUED)

### PRC CORPORATE INCOME TAX (CONTINUED)

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the Hong Kong holding companies satisfied the requirements of the tax treaty arrangements between the PRC and Hong Kong.

Guangzhou Yueguan Intelligent Technology Co., Ltd. ("**Yueguan Intelligent**") is qualified as a "High and New Technology Enterprise" in 2019. It is subject to a reduced preferential enterprise income tax rate of 15% since 1 January 2019. On 12 December 2022, the filing of Yueguan Intelligent's renewal of the High and New Technology Enterprise qualification for another 3 years starting from 1 January 2022 was completed.

## 13 EARNINGS PER SHARE

### (a) BASIC EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2023 and 2022.

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Profit attributable to owners of the Company | 487,020 | 416,099 |
| Weighted average number of ordinary shares (in thousands) | 1,522,030 | 1,522,030 |
| Basic and diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share) | 0.32 | 0.27 |

### (b) DILUTED EARNINGS PER SHARE

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

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Since there was no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022, diluted earnings per share is equal to basic earnings per share.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 14 DIVIDENDS

The directors proposed a final dividend of HKD0.087 per ordinary share, totaling approximately RMB119 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 12 June 2024. These financial statements do not reflect this dividend payable.

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| 2023 interim, declared and paid, of HKD0.089 equivalent to RMB0.081 (2022: Nil) per ordinary share | 124,411 | — |
| 2023 Final, proposed, of HKD0.087 equivalent to RMB0.079 (2022: Final, declared and paid, of HKD0.109 equivalent to RMB0.097) per ordinary share | 119,099 | 147,627 |
| | 243,510 | 147,627 |

## 15 PROPERTY, PLANT AND EQUIPMENT

| | Buildings RMB'000 | Furniture, fixtures and equipment RMB'000 | Leasehold improvements RMB'000 | Vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | | | |
| Opening net book amount | 4,499 | 31,984 | 1,070 | 1,150 | 734 | 39,437 |
| Additions | — | 15,133 | 477 | 424 | — | 16,034 |
| Acquisition of a subsidiary | — | 102 | — | — | — | 102 |
| Disposals | — | (1,975) | (57) | (97) | (734) | (2,863) |
| Depreciation charge | (190) | (14,803) | (871) | (331) | — | (16,195) |
| **Closing net book amount** | 4,309 | 30,441 | 619 | 1,146 | — | 36,515 |
| **As at 31 December 2022** | | | | | | |
| Cost | 6,071 | 77,825 | 8,847 | 4,783 | — | 97,526 |
| Accumulated depreciation | (1,762) | (47,384) | (8,228) | (3,637) | — | (61,011) |
| **Net book amount** | 4,309 | 30,441 | 619 | 1,146 | — | 36,515 |

| | Buildings RMB'000 | Furniture, fixtures and equipment RMB'000 | Leasehold improvements RMB'000 | Vehicles RMB'000 | Construction in progress RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|
| **Year ended 31 December 2023** | | | | | | |
| Opening net book amount | 4,309 | 30,441 | 619 | 1,146 | — | 36,515 |
| Additions | — | 18,133 | 70 | 599 | — | 18,802 |
| Disposals | — | (3,484) | — | (263) | — | (3,747) |
| Depreciation charge | (190) | (14,033) | (293) | (441) | — | (14,957) |
| **Closing net book amount** | 4,119 | 31,057 | 396 | 1,041 | — | 36,613 |
| **As at 31 December 2023** | | | | | | |
| Cost | 6,071 | 85,066 | 6,733 | 3,201 | — | 101,071 |
| Accumulated depreciation | (1,952) | (54,009) | (6,337) | (2,160) | — | (64,458) |
| **Net book amount** | 4,119 | 31,057 | 396 | 1,041 | — | 36,613 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation expenses were charged to the following categories in the consolidated income statement:

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Cost of sales | 11,559 | 14,000 |
| Administrative expenses | 3,398 | 2,195 |
| | 14,957 | 16,195 |

(a) No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2023 and 2022.

### (b) REVALUATION, DEPRECIATION METHODS AND USEFUL LIVES

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

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

See note 32.6 for the other accounting policies relevant to property, plant and equipment.

## 16 LEASES

### (i) Amounts recognized in the consolidated balance sheet are as follows:

*Right-of-use assets*

| | Properties RMB'000 |
|---|---|
| **Year ended 31 December 2022** | |
| Opening net book amount | 53,807 |
| Additions | 72,450 |
| Depreciation charge | (49,863) |
| **Closing net book amount** | 76,394 |
| **As at 31 December 2022** | |
| Cost | 250,935 |
| Accumulated depreciation | (174,541) |
| **Net book amount** | 76,394 |
| **Year ended 31 December 2023** | |
| Opening net book amount | 76,394 |
| Additions | 86,790 |
| Depreciation charge | (57,983) |
| Termination | (1,510) |
| **Closing net book amount** | 103,691 |
| **As at 31 December 2023** | |
| Cost | 218,021 |
| Accumulated depreciation | (114,330) |
| **Net book amount** | 103,691 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 16 LEASES (CONTINUED)

### (i) Amounts recognized in the consolidated balance sheet are as follows: (continued)

*Lease liabilities*

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Lease liabilities | | |
| Current | 64,514 | 40,774 |
| Non-current | 43,614 | 38,062 |
| | 108,128 | 78,836 |

### (ii) Amounts recognized in the consolidated income statement are as follows:

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Depreciation charge of right-of-use assets | 57,983 | 49,863 |
| Interest expense (included in finance cost) (Note 10) | 4,887 | 3,140 |
| Expenses relating to short-term leases (included in cost of sales and administrative expenses) (Note 6) | 47,600 | 43,681 |

The total cash outflow for leases for the year ended 31 December 2023 was RMB108,475,000 (2022: RMB95,458,000).

## 16 LEASES (CONTINUED)

### (iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices, parking lots and dormitories. Rental contracts are typically made for fixed periods of 3 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

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

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

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

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

See note 32.22 for the other accounting policies relevant to leases.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 INTANGIBLE ASSETS

| | Goodwill RMB'000 | Customer relationships RMB'000 | Computer software RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| **Year ended 31 December 2022** | | | | |
| Opening net book amount | 253,332 | 82,175 | 10,376 | 345,883 |
| Additions | — | — | 4,094 | 4,094 |
| Acquisition of a subsidiary (Note (ii)) | 7,076 | — | 104 | 7,180 |
| Amortization | — | (9,413) | (3,491) | (12,904) |
| **Closing net book amount** | 260,408 | 72,762 | 11,083 | 344,253 |
| **As at 31 December 2022** | | | | |
| Cost | 260,408 | 92,372 | 23,003 | 375,783 |
| Accumulated amortization | — | (19,610) | (11,920) | (31,530) |
| **Net book amount** | 260,408 | 72,762 | 11,083 | 344,253 |
| **Year ended 31 December 2023** | | | | |
| Opening net book amount | **260,408** | **72,762** | **11,083** | **344,253** |
| Additions | **—** | **—** | **2,100** | **2,100** |
| Amortization | **—** | **(9,413)** | **(4,019)** | **(13,432)** |
| **Closing net book amount** | **260,408** | **63,349** | **9,164** | **332,921** |
| **As at 31 December 2023** | | | | |
| Cost | **260,408** | **92,372** | **25,103** | **377,883** |
| Accumulated amortization | **—** | **(29,023)** | **(15,939)** | **(44,962)** |
| **Net book amount** | **260,408** | **63,349** | **9,164** | **332,921** |

Amortization of intangible assets has been charged to the following categories in the consolidated income statement:

| | Year ended 31 December | |
|---|---|---|
| | **2023 RMB'000** | 2022 RMB'000 |
| Cost of sales | **11,751** | 12,904 |
| Administrative expenses | **1,681** | — |
| | **13,432** | 12,904 |

## 17 INTANGIBLE ASSETS (CONTINUED)

(i) No intangible asset was restricted or pledged as security for liabilities as at 31 December 2023 and 2022.

(ii) On 31 October 2022, the Group acquired 100% of the equity interest in the Guangzhou City Bingxin Property Management Co., Ltd. (the "BingXin Property Management") at a total consideration of RMB9.5 million from Guangzhou Chimelong Group Co.,Ltd.

At the same day, the net cash outflows from acquisition of BingXin Property Management is RMB5,172,000.

### (iii) Customer relationships

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

### (iv) Amortisation methods and periods

The Group amortises intangible assets with a limited useful life using the straight-line method over the following periods:

| | | |
|---|---|---|
| — | Customer relationship | 7-10 years |
| — | Computer software | 2-5 years |

See note 32.7 for the other accounting policies relevant to intangible assets, and note 32.8 for the Group's policy regarding impairments.

### (v) Impairment test for goodwill

The goodwill arised from the acquisition of GZMEE Group in 2020 and the acquisition of Bingxin Property Management in 2022. Goodwill arising from acquisition of GZMEE Group and Bingxin Property Management is monitored by the management at the level of non-commercial property management and value-added services CGUs respectively. Goodwill has been assessed based on the related CGUs for impairment testing.

The following table sets forth each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill as at 31 December 2023 and 2022:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| **For GZMEE Group CGU:** | | |
| Revenue (% annual growth rate) | **15%-29%** | 7%-28% |
| Gross margin (% of revenue) | **15%-17%** | 16%-18% |
| Long-term growth rate | **2.5%** | 3% |
| Pre-tax discount rate | **19.55%** | 19.85% |
| **For Bingxin Property Management CGU:** | | |
| Revenue (% annual growth rate) | **-11%-23%** | 1%-32% |
| Gross margin (% of revenue) | **15%-20%** | 28%-36% |
| Long-term growth rate | **2.5%** | 3% |
| Pre-tax discount rate | **18.99%** | 18.66% |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 17 INTANGIBLE ASSETS (CONTINUED)

### (v) Impairment test for goodwill (continued)

Management has determined the values assigned to each of the above key assumptions as follows:

| Assumption | Approach used to determining values |
|---|---|
| Revenue | Annual growth rate over the five-year forecast period; based on past performance and management's expectations of market development. |
| Gross margin | Based on past performance and management's expectations for the future. |
| Long-term growth rate | This is the weighted average growth rate used to extrapolate cash flows beyond the budget period. The rates are consistent with forecasts included in industry reports. |
| Pre-tax discount rate | Reflect specific risks relating to the relevant CGU. |

The goodwill of RMB253,332,000 and RMB7,076,000 represents the excess of the acquisition consideration transferred and amount of non-controlling interests in the GZMEE Group, and the acquisition consideration transferred in Bingxin Property Management over the fair value of the net identifiable assets acquired as at the acquisition date, respectively. By reference to the recoverable amount assessed by the independent external valuer as at 31 December 2023, the directors of the Company determined that no impairment provision on goodwill was required as at 31 December 2023 (31 December 2022: Nil). Such recoverable amounts of the CGUs are determined based on VIU calculations. The calculation requires the Group to estimate the future cash flows expected to arise from CGUs and suitable discount rates in order to calculate the present value.

*Impact of possible changes in key assumptions*

As at 31 December 2023, if the budgeted revenue used in the VIU calculation for the GZMEE Group CGU had been decreased by 12.83% (2022: 15.36%) lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated gross profit margins used in the VIU calculation for the CGU had been 1.74% (2022: 2.64%) lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated long-term growth rate used in the VIU calculation for the CGU had been 5.95% (2022: 6.97%) lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the pre-tax discount rate applied to the cash flow projections of the CGU had been 2.60% (2022: 3.50%) higher than management's estimates, the Group would have had to recognise an impairment against goodwill.

As at 31 December 2023, if the budgeted revenue used in the VIU calculation for the Bingxin Property Management CGU had been decreased by 72.00% (2022: 52.84%) lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the estimated gross profit margins used in the VIU calculation for the CGU had been 12.58% (2022: 17.66%) lower than management's estimates, the Group would have had to recognise an impairment against goodwill. If the pre-tax discount rate applied to the cash flow projections of the CGU had been 40.42% (2022: 46.39%) higher than management's estimates, the Group would have had to recognise an impairment against goodwill. The estimated long-term growth rate used in the VIU calculation for the CGU would not lead to an impairment against goodwill.

Except for the above changes, the management considers that there is no other reasonably possible change in key parameters that would cause the carrying amount of the CGU to exceed its recoverable amount.

## 18 FINANCIAL INSTRUMENTS BY CATEGORY

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| **Financial asset at amortized costs** | | |
| Trade and other receivables and prepayments (excluding prepayments and other prepaid taxes) (Note 20) | 966,681 | 940,073 |
| Cash and cash equivalents (Note 21) | 4,695,204 | 4,360,789 |
| Restricted cash (Note 21) | 40,659 | 33,255 |
| Fixed bank deposits (Note 21) | 9,062 | — |
| | 5,711,606 | 5,334,117 |
| **Financial assets at fair value through other comprehensive income (Note 19)** | 33,624 | 32,156 |
| | 5,745,230 | 5,366,273 |
| **Financial liabilities at amortized costs** | | |
| Trade and other payables (excluding accrued payroll liabilities and other taxes payables) (Note 24) | 1,547,829 | 1,301,637 |
| Lease liabilities (Note 16) | 108,128 | 78,836 |
| | 1,655,957 | 1,380,473 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 19 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

### (i) Classification of financial assets at FVOCI

Financial assets at FVOCI comprise equity securities which are not held for trading, and which the Group has irrevocably elected at initial recognition to recognize in this category. These are strategic investments and the Group considers this classification to be more relevant.

### (ii) Equity investments at FVOCI

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| **Non-current assets** | | |
| Unlisted equity instruments | | |
| – Guangzhou Yuebang Enterprise Management Co., Ltd. ("Yuebang") | **200** | — |
| – Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd. ("Mingte") | **1,804** | 1,626 |
| – Guangzhou Yuetou Commercial Factoring Co.,Ltd. ("Yuetou Commercial Factoring") | **31,620** | 30,530 |
| | **33,624** | 32,156 |

As at 31 December 2023 and 2022, the unlisted equity instruments at FVOCI represent the Group's 10%, 5% and 10% equity interests in Yuebang, Mingte and Yuetou Commercial Factoring, respectively (As at 31 December 2022, the unlisted equity instruments at FVOCI represent the Group's 5% and 10% equity interests in Mingte and Yuetou Commercial Factoring, respectively).

### (iii) Movements in financial assets at FVOCI during the years ended 31 December 2023 and 2022 are as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Opening balance | **32,156** | 32,202 |
| Additions | **200** | — |
| Gains/(losses) recognized in other comprehensive income | **1,268** | (46) |
| Closing balance | **33,624** | 32,156 |

As at 31 December 2023, financial assets at FVOCI were all denominated in RMB.

## 20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Trade receivables (Note (a)) | | |
| – Related parties (Note 29(d)) | 341,997 | 465,515 |
| – Third parties | 267,289 | 169,358 |
| | 609,286 | 634,873 |
| Less: allowance for impairment of trade receivables (Note 3.1(b)) | (35,762) | (31,313) |
| | 573,524 | 603,560 |
| Other receivables | | |
| – Property management costs recoverable from third parties (Note (b)) | 83,395 | 62,966 |
| – Property management costs recoverable from related parties (Note (b) and Note 29(d)) | 26,891 | 53,600 |
| – Payments on behalf of third-party residents and tenants (Note (c)) | 105,299 | 86,249 |
| – Guarantee deposits paid to related parties (Note (d) and Note 29(d)) | 28,330 | 27,144 |
| – Guarantee deposits paid to third parties (Note (d)) | 74,931 | 34,636 |
| – Others | | |
| – Related parties (Note 29(d)) | 47,080 | 43,182 |
| – Third parties | 39,202 | 38,663 |
| | 405,128 | 346,440 |
| Less: allowance for impairment of other receivables (Note 3.1(b)) | (11,971) | (9,927) |
| | 393,157 | 336,513 |
| Prepayments | | |
| – Related parties (Note 29(d)) | 4,461 | 601 |
| – Third parties | 42,614 | 23,846 |
| | 47,075 | 24,447 |
| Other prepaid taxes | 13,200 | 20,257 |
| **Total** | 1,026,956 | 984,777 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 20 TRADE AND OTHER RECEIVABLES AND PREPAYMENTS (CONTINUED)

(a) Trade receivables mainly arise from property management services.

Non-commercial property management and value-added services income and commercial property management and operational service income under lump sum basis are received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by property owners and tenants upon the issuance of demand notes.

As at 31 December 2023 and 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| 0-30 days | **211,835** | 272,534 |
| 31-180 days | **241,769** | 229,627 |
| 181-365 days | **70,783** | 64,069 |
| 1 to 2 years | **62,321** | 41,807 |
| 2 to 3 years | **6,345** | 7,611 |
| Over 3 years | **16,233** | 19,225 |
| | **609,286** | 634,873 |

As at 31 December 2023, a provision of RMB35,762,000 (2022: RMB31,313,000) was made against the gross amounts of trade receivables (Note 3.1(b)).

(b) The amounts mainly represent costs incurred in relation to property management services provided under commission basis which could be recovered from property owners and tenants.

(c) The amounts represent payments of utility charges on behalf of third-party property owners and tenants.

(d) The amounts mainly represent performance guarantee deposits paid to property owners for the provision of property management services.

(e) As at 31 December 2023 and 2022, trade and other receivables were mainly denominated in RMB and the fair value of trade and other receivables approximated their carrying amounts.

(f) Classification as trade receivables

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

## 21 CASH AND CASH EQUIVALENTS AND RESTRICTED CASH AND FIXED BANK DEPOSITS

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Cash at banks and on hand balances (Note a) | 4,744,925 | 4,394,044 |
| Less: fixed bank deposits (Note a and Note c) | (9,062) | — |
| Less: restricted cash (Note d) | (40,659) | (33,255) |
| Cash and cash equivalents | 4,695,204 | 4,360,789 |

### (a) Cash at banks and on hand and fixed bank deposits were denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| RMB | 4,673,796 | 4,262,344 |
| HKD | 71,129 | 131,700 |
| | 4,744,925 | 4,394,044 |

### (b) Classification as cash equivalents

Term deposits are presented as cash equivalents as they have a maturity of three months or less from the date of acquisition and are repayable with 24 hours' notice with no loss of interest.

### (c) Fixed bank deposits

Fixed bank deposits represent bank deposits with maturity of over three months and within one year, which were denominated in HKD with expected rate of return of 5.00% per annum for the year ended 31 December 2023.

### (d) Restricted cash

Restricted cash represents deposits for the provision of property management services according to the requests by property owners.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 22 SHARE CAPITAL

| | Number of shares 31 December 2023 | Number of shares 31 December 2022 | Share capital 31 December 2023 RMB'000 | Share capital 31 December 2022 RMB'000 |
|---|---|---|---|---|
| **Issued and fully paid** | **1,522,030,177** | 1,522,030,177 | **2,543,048** | 2,543,048 |

## 23 RESERVES AND RETAINED EARNINGS

| | Statutory reserves RMB'000 | Other reserves RMB'000 | Share-based payment RMB'000 | Total other reserves RMB'000 | Retained earnings RMB'000 |
|---|---|---|---|---|---|
| **As at 1 January 2022** | 27,876 | (394,730) | — | (366,854) | 755,575 |
| Profit for the year | — | — | — | — | 416,099 |
| Appropriation of statutory reserves (Note (a)) | 26,872 | — | — | 26,872 | (26,872) |
| Changes in fair value of financial assets at FVOCI, net of tax | — | 15 | — | 15 | — |
| Exchange differences on translation of foreign operations | — | 7,448 | — | 7,448 | — |
| Dividend provided for or paid | — | — | — | — | (132,766) |
| **As at 31 December 2022** | 54,748 | (387,267) | — | (332,519) | 1,012,036 |
| **As at 1 January 2023** | **54,748** | **(387,267)** | **—** | **(332,519)** | **1,012,036** |
| Profit for the year | **—** | **—** | **—** | **—** | **487,020** |
| Appropriation of statutory reserves (Note (a)) | **29,244** | **—** | **—** | **29,244** | **(29,244)** |
| Changes in fair value of financial assets at FVOCI, net of tax | **—** | **1,044** | **—** | **1,044** | **—** |
| Exchange differences on translation of foreign operations | **—** | **(938)** | **—** | **(938)** | **—** |
| Share option scheme-value of services (Note (b)) | | | **6,927** | **6,927** | **—** |
| Dividend provided for or paid | **—** | **—** | **—** | **—** | **(272,038)** |
| **As at 31 December 2023** | **83,992** | **(387,161)** | **6,927** | **(296,242)** | **1,197,774** |

## 23 RESERVES AND RETAINED EARNINGS (CONTINUED)

### (a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, companies incorporated in the PRC are required to transfer no less than 10% of their profit after taxation calculated under the PRC accounting standards and regulations to the statutory reserve fund before distribution of profit after income tax, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

### (b) Share option scheme

The share-based payment reserves are used to recognise the grant date fair value of options issued to two executive directors and 37 members of the senior management and core employees (the "Eligible Participants") of the Group but not exercised.

On 30 December 2022, the Board of the Company announced to approve the share option scheme with an exercise price of HKD3.334 (equivalent to RMB2.978) per option, pursuant to which a total of 15,220,300 Options (the "Total Options") were resolved to be conditionally granted by the Company to the Eligible Participants if those options are fully exercised.

The share option scheme is divided into three tranche. The first tranche will become exercisable after 24 months from the grant date with 33% of Total Options granted. The second tranche will become exercisable after 36 months from the grant date with 33% of Total Options granted. The third tranche will become exercisable after 48 months from the grant date with 34% of Total Options granted.

The share option scheme is conditional upon (A) fulfillment of the certain adoption conditions; (B) the Company obtaining shareholders' approval for the adoption of the share opition scheme; and (C) the Company obtaining the approval of Guangzhou State-owned Assets Supervision and Administration Commission. As at 27 April 2023, all of the conditions has been fulfilled. Thus, the options were granted to the relevant selected participants during the year ended 31 December 2023.

Considering the Eligible Participants began to provide services from 15 February 2023 when the Company obtained shareholders' approval for the adoption of the share opition scheme, the Group recognised share-based payment reserves amounting to RMB6,927,000. The above share-based payment reserves is recognised and measured in accordance with HKFRS 2 Share-based Payment.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 23 RESERVES AND RETAINED EARNINGS (CONTINUED)

### (b) Share option scheme (continued)

(i) Set out below are summaries of options granted under the plan:

| | Number of options |
|---|---|
| As at 1 January 2023 | — |
| Granted during the year | 15,220,300 |
| As at 31 December 2023 | 15,220,300 |

(ii) Fair value of share option scheme

The assessed fair value at 27 April 2023 during the year ended 31 December 2023 was RMB1.58 and RMB1.34 per option for the portion of option to the two executive directors and the portion of option to the members of senior management and core employees. The fair value at grant date is independently determined using an adjusted form of the Binomial Tree Model that takes into account the exercise price, the term of the option, the share price at grant date and expected price volatility of the underlying shares, the expected dividend yield, early exercise level and the risk free interest rate with similar duration of option's expected term. The key assumptions of the share option scheme are set as below:

| | As at grant date |
|---|---|
| Volatility (Note (a)) | 50.64% |
| Risk-free interest rate (Note (b)) | 2.96% |
| Dividend Yield (Note (c)) | 2.88% |
| Early Exercise Level | 3.00/1.50 |

(a) The volatility is with reference to the historical volatility of the Company.

(b) The risk-free rate is with reference to Hong Kong Sovereign Curve in the period close to time to maturity as at the grant date.

(c) The dividend yield is based on historical dividend and share price.

## 24 TRADE AND OTHER PAYABLES

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Trade payables (Note (a)) | | |
| – Related parties (Note 29(d)) | 15,787 | 23,315 |
| – Third parties | 383,490 | 329,792 |
| | 399,277 | 353,107 |
| Other payables | | |
| – Advances for property management services from related parties (Note (b) and Note 29(d)) | 46,697 | 48,415 |
| – Advances for property management services from third parties (Note (b)) | 263,526 | 252,619 |
| – Guarantee deposits received from related parties (Note (c) and Note 29(d)) | 93,496 | 86,313 |
| – Guarantee deposits received from third parties (Note (c)) | 382,382 | 298,305 |
| – Receipts on behalf of residents or tenants from related parties (Note (d) and Note 29(d)) | 5,359 | 4,076 |
| – Receipts on behalf of residents or tenants from third parties (Note (d)) | 220,033 | 144,202 |
| – Dividend payables to related parties (Note 29(d)) | 11,273 | — |
| – Accrued expenses to third parties | 105,156 | 91,649 |
| – Accrued expenses to related parties (Note 29(d)) | 569 | 1,060 |
| – Others to third parties | 20,061 | 21,891 |
| | 1,148,552 | 948,530 |
| – Accrued payroll liabilities | 179,508 | 201,965 |
| – Other tax payables | 34,508 | 83,033 |
| Trade and other payables | 1,761,845 | 1,586,635 |

(a) As at 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date is as follows:

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Up to 1 year | 367,560 | 331,270 |
| 1 to 2 years | 15,944 | 4,140 |
| 2 to 3 years | 3,017 | 3,524 |
| Over 3 years | 12,756 | 14,173 |
| | 399,277 | 353,107 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 24 TRADE AND OTHER PAYABLES (CONTINUED)

(b) The amounts represent advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under commission basis.

(c) The amounts mainly represent performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants.

(d) The amounts mainly represent advances received from property owners and tenants for settlement of their utility charges.

(e) As at 31 December 2023 and 2022, trade and other payables were denominated in the following currencies:

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| RMB | 1,755,392 | 1,584,965 |
| HKD | 6,453 | 1,670 |
| | 1,761,845 | 1,586,635 |

(f) As at 31 December 2023, the carrying amounts of trade and other payables approximated their fair values.

## 25 DEFERRED INCOME TAX

| | As at 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022 (Restated)<br>RMB'000 |
| Deferred income tax assets: | | |
| – To be recovered within 12 months | 32,867 | 27,438 |
| – Offsetting | (20,190) | (16,580) |
| | 12,677 | 10,858 |
| Deferred income tax liabilities: | | |
| – To be recovered within 12 months | 95,632 | 72,974 |
| – To be recovered after more than 12 months | 2,353 | 2,353 |
| – Offsetting | (20,190) | (16,580) |
| | 77,795 | 58,747 |

## 25 DEFERRED INCOME TAX (CONTINUED)

Movements in deferred income tax assets and liabilities during the years ended 31 December 2023 and 2022, without taking into consideration the offsetting of balances within the same tax jurisdiction, are as follows:

| Deferred income tax assets | Allowance for impairment of trade and other receivables and contract assets RMB'000 | Lease liabilities RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2023** | 9,987 | 17,451 | 27,438 |
| Credited to profit or loss | 2,001 | 3,428 | 5,429 |
| **As at 31 December 2023** | 11,988 | 20,879 | 32,867 |
| **As at 31 December 2021** | 9,302 | 1,226 | 10,528 |
| Application of HKAS 12 Amendments | — | 9,721 | 9,721 |
| **As at 1 January 2022 (Restated)** | 9,302 | 10,947 | 20,249 |
| Credited to profit or loss | 685 | 6,504 | 7,189 |
| **As at 31 December 2022 (Restated)** | 9,987 | 17,451 | 27,438 |

| Deferred income tax liabilities | Revaluation of financial assets at FVOCI RMB'000 | Impact of withholding tax RMB'000 | Customer relationships RMB'000 | Right-of-use assets RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **As at 1 January 2023** | 119 | 37,621 | 18,190 | 19,397 | 75,327 |
| Charged/(credited) to profit or loss | — | 24,195 | (2,353) | 592 | 22,434 |
| Charged to other comprehensive income | 224 | — | — | — | 224 |
| **As at 31 December 2023** | 343 | 61,816 | 15,837 | 19,989 | 97,985 |
| **As at 31 December 2021** | 180 | 31,476 | 20,543 | 1,296 | 53,495 |
| Application of HKAS 12 Amendments | — | — | — | 9,721 | 9,721 |
| **As at 1 January 2022 (Restated)** | 180 | 31,476 | 20,543 | 11,017 | 63,216 |
| Charged/(credited) to profit or loss | — | 6,145 | (2,353) | 8,380 | 12,172 |
| Credited to other comprehensive income | (61) | — | — | — | (61) |
| **As at 31 December 2022 (Restated)** | 119 | 37,621 | 18,190 | 19,397 | 75,327 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 25 DEFERRED INCOME TAX (CONTINUED)

As at 31 December 2023, the Group had not recognized deferred income tax assets in respect of cumulative tax losses of RMB77,824,000 (2022: RMB68,846,000) as it is not probable that future taxable profits against which the losses can be utilized. As at 31 December 2023, the unused tax losses amounting to RMB21,545,000 (2022: RMB21,796,000) can be carried forward against future taxable income under the PRC enterprise income tax law and these tax losses will expire at various dates up to and including 2028 and 2027, respectively. The remaining tax losses have no expiry date.

As at 31 December 2023 and 2022, the Group has recognized deferred income tax liabilities arising from undistributed profits from the Group's subsidiaries in the PRC to their immediate holding companies in Hong Kong.

## 26 CASH FLOW INFORMATION

### (a) Cash generated from operations

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Profit before income tax | 687,142 | 575,982 |
| Adjustments for: | | |
| – Depreciation of property, plant and equipment (Note 15) | 14,957 | 16,195 |
| – Depreciation of right-of-use assets (Note 16) | 57,983 | 49,863 |
| – Amortization of intangible assets (Note 17) | 13,432 | 12,904 |
| – Net impairment losses on financial and contract assets | 7,638 | 3,576 |
| – Employee benefits expense – share based payments (Note 7) | 6,927 | — |
| – Losses on disposal of property, plant and equipment (Note 9) | 27 | 32 |
| – Share of results of joint ventures | (153) | (116) |
| – Net foreign exchange losses/(gains) (Note 9) | 5,081 | (13,853) |
| – Finance costs (Note 10) | 4,887 | 3,140 |
| | 797,921 | 647,723 |
| Changes in working capital: | | |
| – Inventories | (3,979) | (5,274) |
| – Trade and other receivables and prepayments | (49,610) | (184,092) |
| – Contract assets | (39,301) | (37,813) |
| – Contract liabilities | 13,734 | 210,331 |
| – Restricted cash | (7,404) | (14,384) |
| – Trade and other payables | 163,937 | 283,112 |
| | 875,298 | 899,603 |

## 26 CASH FLOW INFORMATION (CONTINUED)

### (b) Reconciliation of liabilities arising from financing activities is as follows:

| | Lease liabilities RMB'000 | Dividend payable RMB'000 | Total RMB'000 |
|---|---|---|---|
| **As at 1 January 2022** | 55,023 | 1,560 | 56,583 |
| Cash flows | | | |
| – Outflow from financing activities | (51,777) | (135,886) | (187,663) |
| Non-cash changes | | | |
| – Addition - leases | 72,450 | — | 72,450 |
| – Finance expense recognized | 3,140 | — | 3,140 |
| – Dividend provided | — | 134,326 | 134,326 |
| **As at 31 December 2022** | 78,836 | — | 78,836 |
| **As at 1 January 2023** | **78,836** | **—** | **78,836** |
| Cash flows | | | |
| – Outflow from financing activities | **(60,875)** | **(273,598)** | **(334,473)** |
| Non-cash changes | | | |
| – Addition - leases | **86,790** | **—** | **86,790** |
| –Termination of lease | **(1,510)** | **—** | **(1,510)** |
| – Finance expense recognized | **4,887** | **—** | **4,887** |
| – Dividend provided | **—** | **284,871** | **284,871** |
| **As at 31 December 2023** | **108,128** | **11,273** | **119,401** |

## 27 NON-CANCELLABLE OPERATING LEASES

At 31 December 2023, the Group had future minimum rental payments receivable under certain non-cancellable leases as follows:

| | Year ended 31 December | |
|---|---|---|
| | **2023 RMB'000** | 2022 RMB'000 |
| Not later than one year | **355** | 355 |
| Later than one year and not later than five years | **354** | 709 |
| | **709** | 1,064 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 28 COMMITMENT

### OPERATING LEASE COMMITMENTS – AS LESSEE

The Group leases offices and staff dormitories under non-cancellable operating lease agreements.

The Group has recognised right-of-use assets for these leases, except for short-term and low-value leases.

The portfolio of short-term leases as at 31 December 2023 and 2022 is similar to the portfolio of short-term leases recognized as expenses disclosed in Note 6 for the years ended 31 December 2023 and 2022, the Group elected not to disclose the commitments for short-term leases.

Save as disclosed above, there was no material capital commitments as at 31 December 2023 and 2022.

## 29 RELATED PARTY TRANSACTIONS

### (a) Related parties

The Company's ultimate holding company is Guangzhou Yue Xiu Holdings Limited, which is a limited liability company incorporated in the PRC and whose place of operation is the mainland of the PRC. The table set below summarises the names of significant related parties, with whom the Group had significant transactions during the year ended 31 December 2023, and their relationship with the Company as at 31 December 2023:

| Significant related parties | Relationship with the Group |
|---|---|
| Yuexiu Property | Intermediate holding company |
| Guangzhou Construction & Development Holdings (China) Limited ("GCD China") | Immediate holding company |
| GZ Metro | Non-controlling shareholder of Yuexiu Property |

### (b) Transactions with related parties

The following is a summary of the significant transactions carried out between the Group and its related parties during the years ended 31 December 2023 and 2022.

| | Year ended 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Provision of services (Note (ii)) | | |
| – Ultimate holding company | **880** | 624 |
| – Intermediate holding company | **61** | 61 |
| – Fellow subsidiaries | **931,769** | 698,297 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | **187,515** | 253,195 |
| – Associates and joint ventures of Yuexiu Property | **178,358** | 89,432 |
| | **1,298,583** | 1,041,609 |
| Purchase of goods and services | | |
| – Fellow subsidiaries | **9,355** | 3,556 |

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (b) Transactions with related parties (continued)

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Additions of right-of-use assets | | |
| – Fellow subsidiaries | 886 | 12,640 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | 3,700 | 4,850 |
| – Associates and joint ventures of Yuexiu Property | 2,299 | 4,383 |
| | 6,885 | 21,873 |
| Rental expenses (short-term leases) | | |
| – Fellow subsidiaries | 6,683 | 3,949 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | 898 | 1,959 |
| – Associates and joint ventures of Yuexiu Property | 23,723 | 17,286 |
| | 31,304 | 23,194 |

(i) All of the transactions above were carried out in the normal course of the Group's business and on terms as agreed between the transacting parties.

(ii) The provision of services to related parties comprise the provision of non-commercial property management and value-added services and commercial property management and operational services.

### (c) Key management compensation

Compensations for key management other than those for directors as disclosed in Note 31 is set out below.

| | Year ended 31 December | |
|---|---|---|
| | 2023<br>RMB'000 | 2022<br>RMB'000 |
| Salaries and other short-term employee benefits | 2,596 | 3,171 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties

| | As at 31 December | |
|---|---|---|
| | **2023** | 2022 |
| | **RMB'000** | RMB'000 |
| Trade receivables (Note (i)) | | |
| – Ultimate holding company | **106** | 228 |
| – Intermediate holding company | **32** | — |
| – Fellow subsidiaries | **215,593** | 361,562 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | **56,231** | 54,310 |
| – Associates and joint ventures of Yuexiu Property | **70,035** | 49,415 |
| | **341,997** | 465,515 |
| Contract assets (Note (i)) | | |
| – Fellow subsidiaries | **44,791** | 31,453 |
| – Associates and joint ventures of Yuexiu Property | **11,858** | 453 |
| | **56,649** | 31,906 |
| Other receivables (Note (ii)) | | |
| – Ultimate holding company | **1,401** | 1,401 |
| – Intermediate holding company | **287** | — |
| – Fellow subsidiaries | **31,813** | 57,582 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | **17,125** | 942 |
| – Associates and joint ventures of Yuexiu Property | **51,675** | 64,001 |
| | **102,301** | 123,926 |
| Prepayments (Note (i)) | | |
| – Fellow subsidiaries | **4,300** | 601 |
| – Associates and joint ventures of Yuexiu Property | **161** | — |
| | **4,461** | 601 |
| Trade payables (Note (i)) | | |
| – Fellow subsidiaries | **10,026** | 16,263 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | **2,182** | 3,197 |
| – Associates and joint ventures of Yuexiu Property | **3,579** | 3,855 |
| | **15,787** | 23,315 |
| Other payables (Note (iii)) | | |
| – Ultimate holding company | **1,576** | 1,576 |
| – Fellow subsidiaries | **93,572** | 101,601 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | **11,628** | 170 |
| – Associates and joint ventures of Yuexiu Property | **50,618** | 36,517 |
| | **157,394** | 139,864 |

## 29 RELATED PARTY TRANSACTIONS (CONTINUED)

### (d) Balances with related parties (continued)

| | As at 31 December | |
|---|---|---|
| | 2023 RMB'000 | 2022 RMB'000 |
| Contract liabilities (Note (i)) | | |
| – Fellow subsidiaries | 74,760 | 26,826 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | 697 | 2,281 |
| – Associates and joint ventures of Yuexiu Property | 10,599 | 2,748 |
| – Ultimate holding company | 23 | — |
| – Intermediate holding company | 5 | — |
| | 86,084 | 31,855 |
| Bank deposits (Note (i)) | | |
| – A fellow subsidiary | 43,631 | 80,069 |
| Lease liabilities | | |
| – Fellow subsidiaries | 13,425 | 15,080 |
| – Non-controlling interests of Yuexiu Property and its subsidiaries | 4,332 | 3,950 |
| – Associates and joint ventures of Yuexiu Property | 2,388 | 5,074 |
| | 20,145 | 24,104 |

(i) The balances of contract assets, trade receivables, prepayments, trade payables and contract liabilities were unsecured and interest free. The balances of bank deposits were unsecured and with interest rate in accordance with normal commercial terms.

(ii) The balances due from related parties as at 31 December 2023 and 2022 were mainly costs to be recovered from property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

(iii) The balances due to related parties as at 31 December 2023 and 2022 were mainly costs prepaid by property owners incurred in relation to property management services provided under commission basis and guarantee deposits which were unsecured and interest free.

(iv) For the years ended 31 December 2023 and 2022, banking facilities of HKD60,000,000 for issuance of letter of guarantee in respect of operation and management of car parks or properties by the Group are guaranteed by Yuexiu Property. HKD48,132,000 of the total banking facilities has been utilised by the Group for issuance of letter of guarantee to Hong Kong Housing Authority for the purpose of leasing car parks from certain car parks owners.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

| | Note | As at 31 December 2023 RMB'000 | As at 31 December 2022 RMB'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Investments in subsidiaries | | 601,016 | 601,016 |
| **Current assets** | | | |
| Other receivable and prepayments | | 713,804 | 503,347 |
| Dividend receivables | | 618,313 | 343,948 |
| Cash and cash equivalents | | 1,129,933 | 1,310,752 |
| **Total assets** | | 3,063,066 | 2,759,063 |
| **Equity** | | | |
| **Equity attributable to owners of the Company** | | | |
| Share capital | 22 | 2,543,048 | 2,543,048 |
| Other reserves | | 6,927 | — |
| Retained earnings | | 225,630 | 202,710 |
| **Total equity** | | 2,775,605 | 2,745,758 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Other payables | | 287,461 | 13,305 |
| **Total liabilities** | | 287,461 | 13,305 |
| **Total equity and liabilities** | | 3,063,066 | 2,759,063 |

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

The financial statements on pages 102 to 194 were approved by the Board of Directors on 18 March 2024 and were signed on its behalf

**Lin Feng** **Zhang Jianguo**

## 30 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

### (a) Reserve and retained earnings movement of the Company

| | Other reserves RMB'000 | Retained earnings RMB'000 | Total RMB'000 |
|---|---|---|---|
| At 1 January 2023 | — | 202,710 | 202,710 |
| Profit for the year | — | 294,958 | 294,958 |
| Employee share schemes | | | |
| – value of employee services | 6,927 | — | 6,927 |
| Dividend paid | — | (272,038) | (272,038) |
| At 31 December 2023 | 6,927 | 225,630 | 232,557 |
| At 1 January 2022 | — | 126,168 | 126,168 |
| Profit for the year | — | 209,308 | 209,308 |
| Dividend paid | — | (132,766) | (132,766) |
| At 31 December 2022 | — | 202,710 | 202,710 |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 31 DIRECTORS' BENEFITS AND INTERESTS

### (a) Directors' emoluments

The directors received emoluments from the Group for the year ended 31 December 2023 as follows:

| Name | Fees RMB'000 | Salaries and wages RMB'000 | Discretionary bonuses RMB'000 | Employer's contribution to retirement benefit scheme RMB'000 | Housing fund, other allowance and benefits in kind RMB'000 | Share option scheme RMB'000 | Remuneration paid or receivable in respect of accepting office as director RMB'000 | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|---|---|---|---|
| **Executive Directors** | | | | | | | | | |
| Mr. Zhang Jianguo (Note (i)) | – | – | – | – | – | – | – | – | – |
| Mr. Zhang Chenghao (appointed on 28 August 2023) (Note (iii)) | – | 730 | 1,350 | 105 | 45 | – | – | – | 2,230 |
| Mr. Mao Liangmin (resigned on 28 August 2023) | – | 400 | 111 | – | 89 | 549 | – | – | 1,149 |
| Mr. Zhang Jin | – | 875 | 663 | 50 | 131 | 549 | – | – | 2,268 |
| **Non-executive Directors** | | | | | | | | | |
| Mr. Lin Feng (Note (i)) | – | – | – | – | – | – | – | – | – |
| Mr. Yao Xiaosheng (Note (i)) | – | – | – | – | – | – | – | – | – |
| Mr. Yang Zhaoxuan (Note (i)) | – | – | – | – | – | – | – | – | – |
| **Independent Non-executive Directors** | | | | | | | | | |
| Ms. Hui Lai Kwan | 216 | – | – | – | – | – | – | – | 216 |
| Mr. Hung Shing Ming | 216 | – | – | – | – | – | – | – | 216 |
| Mr. Leung Yiu Man (appointed on 28 August 2023) (Note (iii)) | 75 | – | – | – | – | – | – | – | 75 |
| Mr. Chan Yuen Hang Kenneth (resigned on 28 August 2023) | 144 | – | – | – | – | – | – | – | 144 |
| | 651 | 2,005 | 2,124 | 155 | 265 | 1,098 | – | – | 6,298 |

## 31 DIRECTORS' BENEFITS AND INTERESTS (CONTINUED)

### (a) Directors' emoluments (continued)

The directors received emoluments from the Group for the year ended 31 December 2022 as follows:

| Name | Fees | Salaries and wages | Discretionary bonuses | Employer's contribution to retirement benefit scheme | Housing fund, other allowance and benefits in kind | Remuneration paid or receivable in respect of accepting office as director | Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking | Total |
|---|---|---|---|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| **Executive Directors** | | | | | | | | |
| Mr. Zhang Jianguo (appointed on 23 February 2022) (Note (ii)) | – | – | – | – | – | – | – | – |
| Mr. Wu Wei (resigned on 23 February 2022) (Note (ii)) | – | – | – | – | – | – | – | – |
| Mr. Mao Liangmin | – | 600 | 1,918 | – | 127 | – | – | 2,645 |
| Mr. Zhang Jin | – | 579 | 509 | 50 | 125 | – | – | 1,263 |
| **Non-executive Directors** | | | | | | | | |
| Mr. Lin Feng (Note (ii)) | – | – | – | – | – | – | – | – |
| Mr. Yao Xiaosheng (Note (ii)) | – | – | – | – | – | – | – | – |
| Mr. Yang Zhaoxuan (Note (ii) | – | – | – | – | – | – | – | – |
| **Independent Non-executive Directors** | | | | | | | | |
| Ms. Hui Lai Kwan | 216 | – | – | – | – | – | – | 216 |
| Mr. Hung Shing Ming | 216 | – | – | – | – | – | – | 216 |
| Mr. Chan Yuen Hang Kenneth | 216 | – | – | – | – | – | – | 216 |
| | 648 | 1,179 | 2,427 | 50 | 252 | – | – | 4,556 |

## 31 DIRECTORS' BENEFITS AND INTERESTS (CONTINUED)

### (a) Directors' emoluments (continued)

(i) The emoluments of the Mr. Zhang Jianguo, Mr. Lin Feng, Mr. Yao Xiaosheng and Mr Yang Zhaoxuan, in relation to their services rendered for the Group for the year ended 31 December 2023 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(ii) The emoluments of the Mr. Zhang Jianguo, Mr. Wu Wei, Mr. Lin Feng, Mr. Yao Xiaosheng and Mr Yang Zhaoxuan, in relation to their services rendered for the Group for the year ended 31 December 2022 were borne by related parties of the Group. Their emoluments were not allocated to the Group as the management of the Company considers there is no reasonable basis of allocation.

(iii) Mr. Zhang Chenghao was appointed as the executive director and Mr. Leung Yiu Man was appointed as the independent non-executive director of the Company on 28 August 2023.

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES

### 32.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING

#### *(i) Subsidiaries*

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

The acquisition method of accounting is used to account for business combinations by the Group (refer to Note 32.2).

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

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

#### *(ii) Joint arrangements*

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

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.1 PRINCIPLES OF CONSOLIDATION AND EQUITY ACCOUNTING (CONTINUED)

#### *(iii) Equity method*

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

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

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 32.8.

#### *(iv) Changes in ownership interests in subsidiaries*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.2 BUSINESS COMBINATIONS

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

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

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

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

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

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.3 SEPARATE FINANCIAL STATEMENTS

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

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

### 32.4 SEGMENT REPORTING

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

### 32.5 FOREIGN CURRENCY TRANSLATION

*(i) Functional and presentation currency*

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

*(ii) Transactions and balances*

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

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.5 FOREIGN CURRENCY TRANSLATION (CONTINUED)

*(iii) Group companies*

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

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

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

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

### 32.6 PROPERTY, PLANT AND EQUIPMENT

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

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

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 32.8).

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

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

### 32.7 INTANGIBLE ASSETS

*(i) Goodwill*

Goodwill is measured as described in Note 32.2. Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortized but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

*(ii) Computer software*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.8 IMPAIRMENT OF NON-FINANCIAL ASSETS

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

### 32.9 INVESTMENTS AND OTHER FINANCIAL ASSETS

*(i) Classification*

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

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

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

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

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

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

*(ii) Recognition and derecognition*

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

*(iii) Measurement*

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

*Equity instruments*

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

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.9 INVESTMENTS AND OTHER FINANCIAL ASSETS (CONTINUED)

*(iv) Impairment*

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

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

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

### 32.10 OFFSETTING FINANCIAL INSTRUMENTS

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

### 32.11 INVENTORIES

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

### 32.12 TRADE RECEIVABLES

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

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.13 CASH AND CASH EQUIVALENTS

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

### 32.14 SHARE CAPITAL

Ordinary shares are classified as equity (Note 22).

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

### 32.15 TRADE AND OTHER PAYABLES

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

### 32.16 CURRENT AND DEFERRED INCOME TAX

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

*(i) Current income tax*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.16 CURRENT AND DEFERRED INCOME TAX (CONTINUED)

*(ii) Deferred income tax*

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

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

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

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

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

### 32.17 EMPLOYEE BENEFITS

*(i) Short-term obligations*

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

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.17 EMPLOYEE BENEFITS (CONTINUED)

*(ii) Pension obligations*

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

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

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

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

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

*(iv) Termination benefits*

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

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.18 PROVISIONS

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

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

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

### 32.19 SHARE-BASED PAYMENTS

Share-based compensation benefits are provided to employees via the employee option plan and an employee share scheme, the executive short-term incentive scheme and share appreciation. Information relating to these schemes is set out in note 23.

*Employee options*

The fair value of options granted under the employee option plan is recognised as an employee benefits expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (e.g. the entity's share price)
- excluding the impact of any service and non-market performance vesting conditions (e.g. profitability, sales growth targets and remaining an employee of the entity over a specified time period), and
- including the impact of any non-vesting conditions (e.g. the requirement for employees to save or hold shares for a specific period of time).

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied. At the end of each period, the entities revises its estimates of the number of options that are expected to vest based on the non-market vesting and service conditions. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.20 EARNINGS PER SHARE

*(i) Basic earnings per share*

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year ended 31 December 2023 and excluding treasury shares.

*(ii) Diluted earnings per share*

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

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

### 32.21 INTEREST INCOME

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

### 32.22 LEASES

*The Group as a lessee*

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

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

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

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 32 SUMMARY OF POTENTIALLY MATERIAL ACCOUNTING POLICIES (CONTINUED)

### 32.22 LEASES (CONTINUED)

*The Group as a lessee* (continued)

- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option

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

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

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

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

Entity-specific details about the Group's leasing policy are provided in note 16 (iii).

### 32.23 DIVIDEND DISTRIBUTION

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

### 32.24 GOVERNMENT GRANTS

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

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