金融街物業股份有限公司

FINANCIAL STREET PROPERTY CO., LIMITED

(A joint stock company incorporated in the People's Republic of China with limited liability)

Stock Code : 1502

2023 ANNUAL REPORT

Contents

Corporate Information

EXECUTIVE DIRECTORS

Mr. Sun Jie *(Chairman)*
Mr. Song Ronghua
(appointed with effect from 7 December 2023)
Ms. Xue Rui

NON-EXECUTIVE DIRECTORS

Mr. Shen Mingsong
(resigned with effect from 8 June 2023)
Ms. Hu Yuxia
(appointed with effect from 8 June 2023)
Mr. Liang Jianping
(resigned with effect from 7 December 2023)
Mr. Li Liang
Ms. Zhao Lu

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Song Baocheng
Ms. Tong Yan
Ms. Lu Qing

SUPERVISORS

Mr. Liu Anpeng
(Chairman of the Supervisory Committee)
Ms. Gao Minghui
Ms. Lyu Min

JOINT COMPANY SECRETARIES

Mr. Chen Xi
Ms. Ho Wing Nga FCG HKFCG (PE)

AUTHORISED REPRESENTATIVES

Mr. Sun Jie
Ms. Ho Wing Nga FCG HKFCG (PE)

AUDIT COMMITTEE

Ms. Tong Yan *(Chairman)*
Ms. Zhao Lu
Mr. Song Baocheng

NOMINATION COMMITTEE

Mr. Sun Jie *(Chairman)*
Mr. Song Baocheng
Ms. Tong Yan

REMUNERATION COMMITTEE

Ms. Lu Qing *(Chairman)*
Ms. Hu Yuxia
Mr. Song Baocheng

Corporate Information (Continued)

REGISTERED OFFICE

33 Financial Street
Xicheng District
Beijing
PRC

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

24/F, Xihuan Plaza Tower 2
1 Xizhimenwai Avenue
Xicheng District, Beijing
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG UNDER PART 16 OF THE COMPANIES ORDINANCE

46/F, Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

H SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited

Shops 1712–16, 17/F
Hopewell Centre
183 Queen's Road East
Wan Chai
Hong Kong

PRINCIPAL BANKS

China Minsheng Bank Beijing Financial Street Sub-branch
China Merchants Bank Financial Street Sub-branch

AUDITOR

Grant Thornton Hong Kong Limited

Registered Public Interest Entity Auditor
Hong Kong Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay, Hong Kong

LEGAL ADVISERS

as to Hong Kong law:

Jingtian & Gongcheng LLP

STOCK CODE

1502

COMPANY WEBSITE ADDRESS

www.jrjlife.com

Financial Summary

- Revenue for the year ended 31 December 2023 increased by approximately 9.10% to approximately RMB1,514.48 million from approximately RMB1,388.19 million for the year ended 31 December 2022.

- Gross Profit for the year ended 31 December 2023 increased by approximately 2.70% to approximately RMB255.24 million from approximately RMB248.54 million for the year ended 31 December 2022.

- Profit of the Group for the year ended 31 December 2023 amounted to approximately RMB143.54 million, representing an increase of approximately 5.71% as compared with approximately RMB135.79 million (Restated) for the year ended 31 December 2022.

- Profit attributable to the owners of the Company amounted to approximately RMB128.10 million, representing an increase of approximately 5.77% as compared with approximately RMB121.11 million (Restated) for the year ended 31 December 2022.

- As at 31 December 2023, the Group's gross floor area ("**GFA**") under management ("**GFA under management**") increased by 16.02% to approximately 40.56 million square metres ("**sq.m.**") from approximately 34.96 million sq.m. as at 31 December 2022. For the increased contracted GFA during the year, 94.69% of which were from independent third-party.

- The Board recommends the payment of 2023 proposed final dividend of RMB0.173 per Share (before tax) for the year ended 31 December 2023, with a dividend payout ratio of approximately 50.44%, in cash.

Major Honours and Awards


2023 Top 100 Property Management Companies in China


2023 Top 100 Property Service Companies with High-quality Development and Excellence in China


2023 China Excellent Property Management Company by ESG Development


2023 China Leading Property Management Companies in terms of Characteristic Service — Commercial Properties Services


2023 China Special Property Management Exceptional Companies — Office Property Management


2023 China Property Service Industry Demonstration Base — Tianjin Global Financial Center


2023 China Property Service Industry Demonstration Base — Wuyi Rongyu


2023 China Excellent Brand of Office Building Property Services

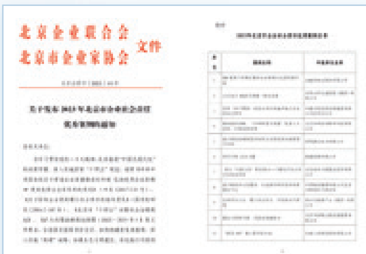

2023 China Characteristic Brand Enterprise for Property Service — Commercial Property Management

Major Honours and Awards (Continued)

2023 China Leading Brand Enterprise in terms of Specialised Operation of Property Service

2023 Top 10 Branded Property Management Companies in terms of Public Building Properties in Beijing

2023 Top 100 Companies in the Service Industry in Beijing



2023 Outstanding Case of Corporate Social Responsibility in Beijing

2023–2024 Integrity Enterprise of Shanghai Property Management Industry

Chairman's Statement

Dear Shareholders,

On behalf of Financial Street Property Co., Limited ("**Financial Street Property**" or the "**Company**") and its subsidiaries (collectively the "**Group**" or "**we**"), I am pleased to present the consolidated results of the Group for the year ended 31 December 2023 (the "**Reporting Period**").

In 2023, the property services industry has shifted its emphasis from high-speed growth to high-quality development. Market competition has become increasingly intense, and the industry is facing opportunities and challenges at the same time. There have been increasing demand for independent development of enterprises, and the service quality and service capability have been given a more prominent place in the core competitiveness of enterprises. The Group adheres to the development strategy of steady scale expansion, and constant efforts have been made to bolster its service capacity and consolidate its core strengths in the mid-to-high-end commercial property services. The competitiveness of the Group has been further strengthened through a variety of expansion channels such as joint ventures and mergers and acquisitions.

MAINTAINING STRATEGIC FOCUS AND SUSTAINING A STEADY EXPANSION OF BUSINESS SCALE

The Group adheres to the keynote of steady expansion and has been making constant efforts in bolstering its capabilities in the acquisition and operation of market-based business. In 2023, the Group expanded its presence to Shaanxi Province, Jilin Province and Hong Kong Special Administrative Region, unleashed its competitive advantages in the non-residential segments and undertook a wide range of projects including office buildings, hospitals, schools and industrial parks. As at 31 December 2023, the Group had a business presence in 19 provinces, municipalities, autonomous regions and special administrative regions across seven regions (namely Northern China, Southwestern China, Eastern China, Southern China, Northeastern China, Central China and Northwestern China), with a total of 290 projects under management, representing an increase of 60 projects compared with the corresponding period in 2022. The total GFA under management was approximately 40.56 million sq.m., of which 52.03% came from independent third-party, which increased by nearly 6 percentage points year-on-year. The Company has further strengthened its market competitiveness.

TAKING VARIOUS INITIATIVES TO EXPAND AND ESCALATING WIN-WIN EQUITY COOPERATION

The Group adheres to a multi-channel strategy of scale expansion through market-based bidding, joint ventures and mergers and acquisitions. In 2023, the Group seized the market opportunities in a timely manner, secured excellent cooperation resources, and attained orderly expansion through various initiatives. During the year, the Group established 4 joint ventures nationwide, which focused on the provision of property services and undertook high-quality property projects in a wide range of sectors, including industrial parks, commercial complexes and cultural and tourism. In 2023, the Company completed the acquisition of 70% equity interest in Top Property Services Company Limited (置佳物業服務有限公司). The acquisition further expanded the Group's business scope to Hong Kong and enhanced its competitiveness.

Chairman's Statement (Continued)

IMPROVING QUALITY, EFFICIENCY AND ABILITY AND PROMOTING HIGH-QUALITY CORPORATE DEVELOPMENT

In 2023, the Group focused on improving quality and efficiency and continued its efforts in technological empowerment. In terms of business operation, the Group optimised the traffic portal of its online platform, adjusted and improved the functions of its customer service, and integrated its property services and value-added services to enhance customers' experience and loyalty, thereby contributing to the growth of its business. In terms of operational management, the Group continued to promote the development of various internal management platforms such as budget management, connected transaction management, contract management and the integration of business data to enhance the efficiency of corporate operations. Meanwhile, the Group promoted the construction of smart operation and maintenance platforms of power distribution room, expanded the scope of application, which further enhanced the safety performance of the system and lowered the operational costs.

In 2023, the Group was awarded various honours, including 2023 Top 100 Property Management Companies in China, 2023 Top 100 Companies in the Service Industry in Beijing, 2023 Outstanding Case of Corporate Social Responsibility in Beijing, 2023 Top 100 Property Service Companies with High-quality Development and Excellence in China, and 2023 China Special Property Management Exceptional Companies — Office Property Management. The Group's brand value hit another record high at RMB4.42 billion.

PROMOTING SYNERGISTIC DEVELOPMENT AND INNOVATING DIVERSIFIED VALUE-ADDED SERVICES

The Group adheres to the concept of synergistic development through diversified operations with the main focus on property services. Backed by commercial property services, the Group has delved into the needs of customers in business districts and formed six value-added service segments, namely, asset operation, resource management, customised service, business operation, consulting service and other income. Meanwhile, under its portfolio, the IZEE value-added services brand covers express delivery, automobile beauty, catering and other livelihood services. In addition, continuous efforts are made in innovation of diversified operation of the Group. Online service platform have been linked to the "Insurance Services" and "Medical Services" business ends of the related parties of the Company, and online shopping platforms, namely, "金愛臻品" and "金愛臻選" have been developed to provide customers with convenient services.

Looking forward, the Group will keep its attention on the development of value-added services, aim at addressing customers' needs through refined operation and innovative services, and intensify the development of its property services with continuous enrichment of the "work + life" ecosystem in special business districts, so as to enhance the loyalty and satisfaction of its customers.

The year 2024 marks the 30th anniversary of the establishment of the Company. On this occasion for a new start, the Company will adhere to the corporate core values of "modesty, integrity and excellence" and constantly improve its ability to provide refined services and effective innovations. Through continuous improvement of service quality, the Company will strengthen its foundation of development, boost the expansion of business scale, actively explore diversified and innovative services, upgrade its operation level, and take forward its high-quality development.

Chairman's Statement (Continued)

Thanks to the strong support of all Shareholders and employees, we have been able to get through trials and hardships and maintain a steady development over the past 30 years. On behalf of the board of directors of the Company (the "**Board**"), I would like to take this opportunity to express my heartfelt gratitude to all employees for their contribution to the development of the Group, as well as to all our Shareholders and stakeholders for their continuous support and trust.

Sun Jie
Chairman

Beijing, the PRC, 27 March 2024

Management Discussion and Analysis

BUSINESS REVIEW

Overview

As one of the leading comprehensive property management service providers for commercial and business properties in China, the Group focuses on mid- to high-end property management services. The Group has been providing property management services for over 29 years since 1994, and since then has expanded the property management business across seven regions (namely Northern China, Southwestern China, Eastern China, Southern China, Northeastern China, Central China and Northwestern China), covering a wide range of properties and providing property owners and residents with tailored quality services through a one-stop service platform to improve the quality and satisfaction of their living and working space.

In 2023, the Group based itself on the long-term strategic goals, took advantage of core development factors, constantly bolstered its competitive advantages, enhanced its service quality and customer loyalty and improved its business resilience. In 2023, the Group has received various awards, including 2023 Top 100 Property Management Companies in China, 2023 Top 100 Property Service Companies with High-quality Development and Excellence in China, 2023 China Excellent Property Management Company by ESG Development and 2023 Top 100 Companies in the Service Industry in Beijing. Brand value continued to increase to RMB4.42 billion.

In 2023, backed by its positive brand image and excellent service quality, the Group penetrated into the markets of the first-tier and second-tier cities and key regions. Leveraging on the sector of commercial and business properties, the Group expanded into all segments of public building properties and unleashed its strengths in a variety of segments, such as government authorities, military, schools, hospitals and industrial parks. As at 31 December 2023, the Group had a business presence in 19 provinces, municipalities, autonomous regions and special administrative regions, and the GFA under management amounted to approximately 40.56 million sq.m., representing a year-on-year growth of 16%. In particular, the GFA under the management from independent third parties accounted for 52% of the total GFA under management, while the GFA under the management from non-residential sector accounted for 58.53%.

In respect of joint venture cooperation, which is one of the means of business expansion of the Group, further achievements were made in 2023. During the year, with different partners respectively, the Group established 5 joint ventures, namely Shandong Financial Street Property Co., Ltd.* (山東金融街物業有限公司), Beijing Yijigou Trading Co., Ltd.* (北京怡己購商貿有限公司), Orchard Financial Street (Beijing) Operation Management Co., Ltd.* (烏節金融街(北京)運營管理有限公司), Luoyang UDI Property Service Co., Ltd.* (洛陽城投物業服務有限責任公司) and Beijing Financial Street Jixiangrui Property Management Co., Ltd.* (北京金融街吉祥瑞物業管理有限公司). The partners of these joint ventures are diverse in nature, including state-owned enterprises, foreign-invested enterprises and high-quality private enterprises. These joint ventures will capitalise the resource advantages of their shareholders to innovate and develop diversified businesses, further enhance market competitiveness and expand business scale.

In 2023, the Group completed the acquisition of 70% equity interest in Top Property Services Company Limited (置佳物業服務有限公司), the financial information of which has been consolidated into the financial statements of the Group since 1 October 2023. Top Property Services Company Limited (置佳物業服務有限公司), being a property services company incorporated in Hong Kong, has developed mature operation model and possesses extensive property management experience. The Company will further bring into play strengths in brand, management and resources of the shareholders of Top Property Services Company Limited so as to enhance its efforts to expand, and explore more market opportunities.

Management Discussion and Analysis (Continued)

The Group's representative projects newly acquired in 2023 are summarised as follows:

Atlas Copco Industrial Park

Located in Zibo City, Shandong Province, it is one of the components of the valuable urban development cluster and is a key industrial park segment. Atlas Copco is a global industrial group company headquartered in Stockholm, Sweden.

Sanqiaodong PARK

Located in Jiangbei District, Chongqing City, it is a commercial project with a GFA of approximately 50,000 sq.m., comprising three buildings, covering a wide range of businesses such as catering, retail, entertainment, and modern art space.

Longli Guanyinshan Forest Town

Located in Longli County, Qiannan Buyei and Miao Autonomous Prefecture, Guizhou Province, it is a complex project comprising tourism, vacation, health care, residence and other functions, with a total GFA of approximately 450,000 sq.m.

Management Discussion and Analysis (Continued)

Fanland High-tech Zone New Material Industrial Park

Located in Dongying City, Shandong Province, it is a featured park focusing on the petroleum equipment industry and comprising petroleum equipment industrial zone, offshore equipment industrial park, intelligent manufacturing industrial park, innovation incubator and enterprise headquarters zone, on-site service industry cluster zone and reserve area for development.

Zhejiang Project Department of East China Branch of CHN Energy Group Real Estate Co., Ltd.

It is located in Hangzhou City, Zhejiang Province. The Company provides sanitation, order maintenance and comprehensive maintenance services for its new production control building.

Management Discussion and Analysis (Continued)

Beijing Daxing Xicheng Academy

Located in Daxing District, Beijing City, it is a local state-owned privately-run school with internationalised characteristics under a new model which is "backed by the government, operated by an enterprise, and run by educators".

In addition, in 2023, the Group also expanded its projects including but not limited to the following:

1. constant progress has been made in the expansion of military property socialisation projects. The Group obtained 7 new business projects, including the Third Detachment and Fuyang Detachment of the Armed Police, Air Force Research Institute, a military barracks in Chifeng, a military barracks in Beijing and a military barracks in Shanghai, and entered into a new service contract with Coast Guard Corps;

2. in terms of commercial and business properties, the Company has secured a number of projects, including the first office area of Beijing Fangshan District Government Authority Service Center, the fourth office area of Beijing Haidian District Government Authority Service Center, the government office area of an autonomous banner under Hulunbuir, back office services of Shenshuo Line and Shenshuo Hotel from the CHN Energy Group, and Jilin Project Department of Northeast Branch of CHN Energy Group Real Estate Co., Ltd.;

3. in terms of public property business, the Group further expanded the scale of its segments. Save as disclosed above, during the year, the Group also secured projects of property services from Research Institute of Hefei University of Technology, Chongqing Shudu High School, Huizhou Yangcun High School and Testing Center of Jiangbei Branch of the Fourth Hospital of Harbin Medical University; and

4. with its rich experience in various industries and whole business chain services, the Group started to provide property consulting services for public building properties in Jinan City, Shandong Province, covering an area of 2,500,000 sq.m.

Management Discussion and Analysis (Continued)

Property Management and Related Services

As at 31 December 2023, the Group's property management services covered 19 provinces, municipalities, autonomous regions and special administrative regions across seven regions in China (including Northern China, Southwestern China, Eastern China, Southern China, Northeastern China, Central China and Northwestern China), with a total GFA under management of approximately 40.56 million sq.m. and a total of 290 properties under management.

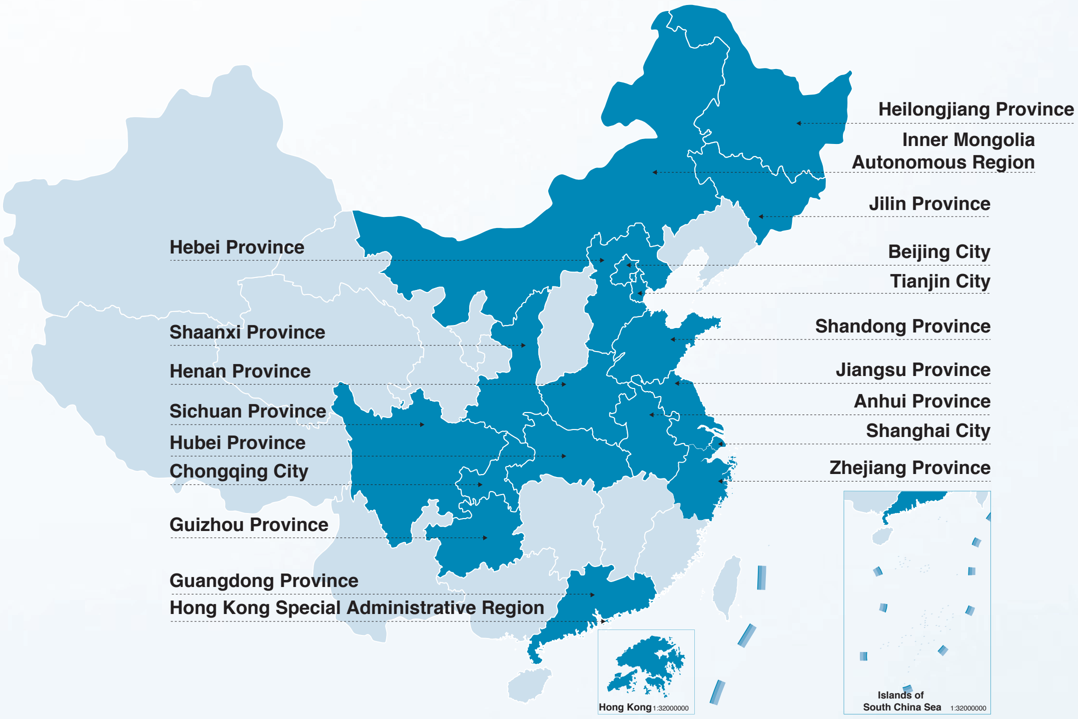
The table below sets forth (i) the contracted GFA; (ii) the GFA under management; and (iii) the number of properties under management, as at the dates indicated:

	As at 31 December 2023	As at 31 December 2022
Contracted GFA *('000 sq.m.)*	**43,703**	37,717
GFA under management *('000 sq.m.)*	**40,556**	34,958
Number of properties under management	**290**	230

Management Discussion and Analysis (Continued)

Geographic Coverage

The following map shows the geographic coverage of the properties under management of the Group as at 31 December 2023:



The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by regions as at the dates indicated:

	As at 31 December 2023		As at 31 December 2022	
	GFA under management *(' 000 sq.m.)*	**Number of projects *(project)***	GFA under management *('000 sq.m.)*	Number of projects *(project)*
Northern China	**15,445**	**132**	14,429	118
Southwestern China	**5,278**	**29**	5,820	31
Eastern China	**8,557**	**36**	6,109	28
Southern China	**6,720**	**75**	4,649	38
Northeastern China	**1,498**	**10**	1,178	6
Central China	**2,418**	**6**	2,773	9
Northwestern China	**640**	**2**	—	—
Total	**40,556**	**290**	34,958	230

Management Discussion and Analysis (Continued)

Notes:

- Northern China region includes Beijing, Tianjin, Hebei Province and Inner Mongolia Autonomous Region
- Southwestern China region includes Chongqing, Sichuan Province and Guizhou Province
- Eastern China region includes Shanghai, Jiangsu Province, Zhejiang Province, Shandong Province and Anhui Province
- Southern China region includes Guangdong Province and Hong Kong Special Administrative Region
- Northeastern China region includes Heilongjiang Province and Jilin Province
- Central China region includes Hubei Province and Henan Province
- Northwestern China region includes Shaanxi Province

Types of Properties under Management

The Group manages a diversified portfolio of properties covering commercial and business properties, including office buildings, complexes, retail buildings and hotel; and non-commercial properties, including residential properties, public properties, hospitals, educational properties and others. Regarding the property management services, the Group employs the lump-sum basis and commission basis as the two revenue models under which property management fees are charged. On a lump-sum basis, the Group records all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. On a commission basis, the Group essentially acts as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. By adopting these two revenue models, the Group is able to cover the expenses incurred in connection with the provision of property management services.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by type of properties as at the dates indicated:

	As at 31 December 2023			As at 31 December 2022		
	GFA under management *(' 000 sq.m.)*	**Percentage *(%)***	**Number of properties under management**	GFA under management *('000 sq.m.)*	Percentage *(%)*	Number of properties under management
Office buildings	**7,730**	**19.06**	**70**	7,466	21.36	63
Complexes	**1,200**	**2.96**	**5**	1,200	3.43	5
Retail buildings and hotels	**368**	**0.91**	**4**	265	0.76	2
Residential properties	**16,821**	**41.47**	**117**	14,344	41.03	75
Public properties, hospitals, educational properties and others	**14,437**	**35.60**	**94**	11,683	33.42	85
Total	**40,556**	**100**	**290**	34,958	100	230

Management Discussion and Analysis (Continued)

The table below sets forth the breakdowns of the GFA under management by revenue models as at the dates indicated:

	As at 31 December 2023		As at 31 December 2022	
	GFA under management *('000 sq.m.)*	**Percentage *(%)***	GFA under management *('000 sq.m.)*	Percentage *(%)*
Property management services (lump-sum basis)	**36,941**	**91.09**	31,431	89.91
Property management services (commission basis)	**3,615**	**8.91**	3,527	10.09
Total	**40,556**	**100**	34,958	100

It is important to note that on a commission basis, the Group recorded only a pre-determined fixed percentage of the property management fees, as set out in the property management service contracts as revenue, while all the property management fees are recorded as revenue on a lump-sum basis.

Nature of the Property Developers Served

The properties under the Group's management include properties developed by the Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司, "**Financial Street Group**"), a state-owned enterprise established in the PRC and is one of the controlling shareholders of the Company, and its affiliates (the "**Financial Street Affiliates Group**") and independent third party. As at 31 December 2023, the GFA of the properties developed by the Financial Street Affiliates Group under the management of the Group was approximately 19.46 million sq.m. At the same time, the scale of business from independent third parties continued to expand in 2023. The Group's GFA under management from properties developed by independent third party was approximately 21.10 million sq.m. as at 31 December 2023, representing an increase of approximately 30.79% from approximately 16.13 million sq.m. as at 31 December 2022. Furthermore, the number of projects developed by independent third party also increased from 106 as at 31 December 2022 to 159 as at 31 December 2023.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management of the Group by property developers as at the dates indicated:

	As at 31 December 2023			As at 31 December 2022		
	GFA under management *('000 sq.m.)*	**Percentage *(%)***	**Number of projects *(project)***	GFA under management *('000 sq.m.)*	Percentage *(%)*	Number of projects *(project)*
Properties developed by Financial Street Affiliates Group	**19,456**	**47.97**	**131**	18,825	53.85	124
Properties developed by independent third party	**21,100**	**52.03**	**159**	16,133	46.15	106
Total	**40,556**	**100**	**290**	34,958	100	230

Management Discussion and Analysis (Continued)

Value-added services

The Group's value-added business is mainly composed of six major segments, including operating business, consulting services, asset operation, resources management (including field services), customised services and other income. In addition, based on the existing value-added business portfolio, the Group continued to expand the scope and scale of value-added business services. In 2023, the Group actively promoted lifestyle services and carried out its pilot group buying business. The Group also launched online consumption platforms, namely "金愛臻品" and "金愛臻選", in light of customer needs and in conjunction with Internet channels, aiming to provide customers with cost-effective products and services. For the year ended 31 December 2023, the Group's revenue from value-added services was approximately RMB302.76 million, accounting for approximately 19.99% of the revenue for the year ended 31 December 2023, representing an increase of approximately 7.92% as compared to the revenue from value-added services of approximately RMB280.53 million for the year ended 31 December 2022.

FUTURE OUTLOOK

In terms of business development, we will strengthen our awareness of market benchmarking, capitalise on our experience and brand advantages in the business office field, extend our service capabilities to other sub-sectors, expand our business boundaries in a proactive manner, and increase our service density.

In terms of service quality, we will continue to focus on customers' demands under a quality-oriented approach, enhance our awareness to serve, strengthen our construction of service system, improve service quality and customer satisfaction continuously, and lay a solid foundation for development.

In terms of social responsibility, we will actively undertake the social responsibility of state-owned enterprises and carry forward the spirit of social benefit, participate in public welfare activities and contribute to social development. At the same time, we will strengthen work safety, and provide customers with assured and safe living and working space.

In terms of corporate governance, we will take into consideration the actual situation of the Company, continue to optimise the scientific and standardised governance system for listed companies, strengthen risk prevention and control system and improve the quality of information disclosure to ensure compliant operations.

FINANCIAL REVIEW

Revenue

The Group derives revenue mainly from: (i) property management and related services; and (ii) catering services. Revenue increased by approximately 9.10% from approximately RMB1,388.19 million for the year ended 31 December 2022 to approximately RMB1,514.48 million for the year ended 31 December 2023.

Management Discussion and Analysis (Continued)

The following table sets forth the breakdown of revenue by our services provided for the periods indicated:

	For the year ended 31 December					
	2023		2022		Changes	
		Percentage		*Percentage*		*Percentage*
	RMB'000	***(%)***	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Property management and related services:						
Property management services	**1,128,374**	**74.51**	1,040,624	74.96	87,750	8.43
Value-added services	**302,757**	**19.99**	280,530	20.21	22,227	7.92
Rental services	**9,895**	**0.65**	6,003	0.43	3,892	64.83
Catering services	**73,450**	**4.85**	61,032	4.40	12,418	20.35
Total	**1,514,476**	**100.00**	1,388,189	100.00	126,287	9.10

- Revenue generated from our property management and related services mainly includes: (i) customer services; (ii) security services; (iii) cleaning and gardening services; (iv) engineering, repair and maintenance services; (v) car park management services; and (vi) other related services, which increased from approximately RMB1,327.16 million for the year ended 31 December 2022 to approximately RMB1,441.03 million for the year ended 31 December 2023, representing an increase of approximately 8.58%, among which, property management income maintained growth, which was benefited from the increase of projects under management. The increase in revenue from value-added services was mainly due to the increase in the number of projects under management.

- Revenue generated from our catering services: our revenue from catering services increased from approximately RMB61.03 million for the year ended 31 December 2022 to approximately RMB73.45 million for the year ended 31 December 2023.

Cost of Sales and Services

The Group's cost of sales and services mainly consists of (i) subcontracting costs; (ii) employee benefit expenses; (iii) utilities; (iv) cost of cleaning, security and maintenance services; (v) cost of raw materials and consumables for catering services; and (vi) other expenses. The Group's cost of sales and services increased by approximately 10.49% from approximately RMB1,139.65 million for the year ended 31 December 2022 to approximately RMB1,259.24 million for the year ended 31 December 2023. The cost of sales increased along with the expansion of business scale of the Company and more costs were incurred to adapt to the market economic environment and enhance market competitiveness.

Management Discussion and Analysis (Continued)

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 2.69% from approximately RMB248.54 million for the year ended 31 December 2022 to approximately RMB255.24 million for the year ended 31 December 2023. The overall gross profit margin of the Group for the year ended 31 December 2023 was approximately 16.85%, representing a slight decrease from 17.90% for the year ended 31 December 2022. The overall gross profit was affected by the increase in costs incurred. The overall gross profit margin declined due to the continued increase in the number of non-commercial properties under management, such as residential and public properties. The table below sets forth the Group's gross profit and gross profit margin by type of service for the periods indicated:

	As at 31 December					
	2023		2022		Changes	
	Gross Profit	**Gross Profit Margin**	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin
	RMB'000	***(%)***	*RMB'000*	*(%)*	*RMB'000*	*(%)*
Property management and related services	**259,147**	**17.98**	266,839	20.11	(7,692)	(2.13)
Commercial and business properties	**200,307**	**23.31**	201,743	24.11	(1,436)	(0.80)
Non-commercial properties	**58,840**	**10.11**	65,096	13.27	(6,256)	(3.16)
Catering services	**(3,907)**	**(5.32)**	(18,295)	(29.98)	14,388	24.66
Total	**255,240**	**16.85**	248,544	17.90	6,696	(1.05)

Administrative Expenses

Administrative expenses of the Group decreased by approximately 5.09% from approximately RMB82.57 million for the year ended 31 December 2022 to approximately RMB78.37 million for the year ended 31 December 2023, which was attributable to the reduction in certain management expenses.

Income Tax Expense

Income tax expense of the Group decreased by approximately 8.00% from approximately RMB56.76 million (Restated) for the year ended 31 December 2022 to approximately RMB52.22 million for the year ended 31 December 2023, primarily attributable to the reduction of loss incurred in the catering business, which was not included in the calculation of income tax.

Profit for the Reporting Period

For the year ended 31 December 2023, the Group's profit for the year amounted to approximately RMB143.54 million, profit before income tax amounted to approximately RMB195.76 million, and profit attributable to the owners of the Company amounted to approximately RMB128.10 million.

Total Comprehensive Income for the Reporting Period

Total comprehensive income of the Group increased from approximately RMB135.84 million (Restated) for the year ended 31 December 2022 to approximately RMB142.18 million for the year ended 31 December 2023, representing an increase of approximately 4.67%.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and bank balances were approximately RMB1,501.66 million, representing a decrease of approximately RMB43.36 million from approximately RMB1,545.02 million as at 31 December 2022.

The Group's financial situation remained stable and healthy. The net current assets of the Group was approximately RMB1,110.98 million as at 31 December 2023, as compared to approximately RMB1,103.20 million as at 31 December 2022, representing an increase of 0.71%. As at 31 December 2023, the Group's current ratio (current assets/current liabilities) was approximately 2.52 (as at 31 December 2022: approximately 2.52).

As at 31 December 2023, the Group did not have any borrowings or bank loans (as at 31 December 2022: nil).

TRADE AND OTHER RECEIVABLES

Trade receivables mainly arise from property management and related services. Trade receivables of the Group increased by approximately RMB28.02 million from approximately RMB242.60 million as at 31 December 2022 to approximately RMB270.62 million as at 31 December 2023, primarily due to the increase in trade receivables as a result of the expansion of size and business of the Group.

Other receivables mainly include payments and deposits paid on behalf of owners, tenants and property developers. Other receivables of the Group increased by approximately RMB38.71 million from approximately RMB57.68 million as at 31 December 2022 to approximately RMB96.39 million as at 31 December 2023, primarily due to the expansion of size and operations of the Group.

TRADE AND OTHER PAYABLES

Trade payables mainly represent amount payable to suppliers and subcontractors, including for purchase of materials. As at 31 December 2023, our balance of trade payables amounted to approximately RMB191.91 million, representing an increase of approximately RMB13.66 million as compared with approximately RMB178.25 million as at 31 December 2022, which was mainly due to the increase in the cost of security guards, cleaning, engineering and materials supply caused by the expansion of the Company's business scale, for which payments had not become due, thereby resulting in a corresponding increase in its balance.

Payroll and welfare payables mainly refer to salary and insurance. As at 31 December 2023, the payroll and welfare payables of the Group were approximately RMB84.63 million, representing an increase of 23.00% as compared with approximately RMB68.81 million as at 31 December 2022, mainly due to the expansion of size and business of the Group.

Management Discussion and Analysis (Continued)

Other payables and accruals mainly include payments and deposits collected on behalf of owners, tenants and property developers. Other payables decreased by approximately 3.72% from approximately RMB296.82 million as at 31 December 2022 to approximately RMB285.77 million as at 31 December 2023, primarily due to the payment of payables amount in the ordinary course of business of the Company.

USE OF PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Stock Exchange on 6 July 2020 (the "**Listing Date**"). The Company issued 90,000,000 H Shares, and subsequently issued 13,500,000 H Shares on 29 July 2020 as a result of the full exercise of the over-allotment option. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing (the "**Net Proceeds**") amounted to approximately HK$710.48 million (equivalent to approximately RMB648.36 million). The unutilised Net Proceeds have been placed as interest-bearing deposits with licensed banks in Mainland China. As at 31 December 2023, the Net Proceeds have been utilised in accordance with the allocation method proposed in the prospectus of the Company dated 19 June 2020 (the "**Prospectus**").

The analysis on the utilisation of the Net Proceeds up to 31 December 2023 is as follows:

	Planned use of the Net Proceeds as stated in the Prospectus and the use of additional Net Proceeds after taking into account the full exercise of the over-allotment option on 29 July 2020		Actual use of Net Proceeds as at 31 December 2023	Utilised Net Proceeds during the Reporting Period	Unutilised Net Proceeds as at 31 December 2023	Expected timeline of full utilisation of the remaining balance
	% of total amount	*RMB million*	*RMB million*	*RMB million*	*RMB million*	
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand the Group's business scale	60%	389.02	133.19	119.29	255.83	on or before 31 December 2023
Developing the Group's value-added services business	20%	129.66	39.62	5.05	90.04	on or before 31 December 2023
Establishing and upgrading IT and intelligent facilities systems	10%	64.84	6.53	0.71	58.31	on or before 31 December 2023
The Group's working capital and general corporate purposes	10%	64.84	—	—	64.84	on or before 31 December 2023
Total	100%	648.36	179.34	125.05	469.02	

Management Discussion and Analysis (Continued)

During the Reporting Period, the Group had utilised Net Proceeds of approximately RMB125.05 million. Since the listing of the Company, there has been a slowdown in the overall development due to the impact of the macro environment and intensified market competition in the property management service industry. The Company has taken a more prudent approach to its investments. After careful consideration and detailed assessment of the operation and business strategies of the Group, the Board has decided to change the use of the unutilised portion of the Net Proceeds and update the expected timeline of full utilisation of the Net Proceeds (the "**Proposed Change**"). The analysis on the utilisation of the Net Proceeds after the Proposed Change is as follows:

	Unutilised Net Proceeds as at 31 December 2023	Balance of the unutilised Net Proceeds after the Proposed Change	Expected timeline of full utilisation of the remaining balance after Proposed Change
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand business scale	255.83	384.68	on or before 31 December 2026
Developing the value-added services business	90.04	9.50	on or before 31 December 2026
Establishing and upgrading IT and intelligent facilities systems	58.31	10.00	on or before 31 December 2026
Working capital and general corporate purposes	64.84	64.84	on or before 31 December 2026
Total	469.02	469.02	

Note: The expected timeline for utilising the remaining Net Proceeds is based on the best estimation made by our Group. It will be subject to change based on the current and future development of the market conditions.

For more details and explanation of the use of proceeds, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus and the announcement of the Company dated 27 March 2024. The updated expected timeline is based on the Company's best estimates and assumptions of future market conditions and industry development, and the proceeds are utilised in accordance with the actual development of the Group's business and the industry. The Proposed Change will not have any material adverse impact on the existing business and operations of the Group and is in the best interests of the Company and its Shareholders as a whole. The unutilised Net Proceeds will be utilised in the manner described in the announcement of the Company dated 27 March 2024.

PLEDGE OF ASSETS

As at 31 December 2023, none of the assets of the Group were pledged (as at 31 December 2022: nil).

Management Discussion and Analysis (Continued)

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

On 21 March 2023, the Company entered into a share sale and purchase agreement with Ms. Cheng Pui Yi (the "**Vendor**") and Top Property Services Company Limited (置佳物業服務有限公司) (the "**Target Company**"), pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire (the "**Acquisition**"), 70% of the equity interests of the Target Company for a maximum total consideration of HK$154 million, subject to the terms and conditions as set out in the share sale and purchase agreement.

On 26 July 2023, the Company received approval from the competent state-owned assets supervision and management authority for the results of the valuation of the assets of the Target Company and the conditions precedent of the share sale and purchase agreement dated 21 March 2023 in relation to the acquisition of the Target Company were fulfilled. The Acquisition was completed on 1 October 2023. The Target Company has become a direct subsidiary of the Company and its financial information has been consolidated into the financial statements of the Group since 1 October 2023.

For details of the Acquisition, please refer to the announcements dated 21 March 2023, 4 May 2023, 4 July 2023 and 26 July 2023 of the Company.

Save as disclosed herein, for the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of assets.

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at the date of this report, the Group does not have and has no plan for any material investment, disposal of or addition of capital assets.

LIABILITIES TO ASSETS RATIO

Liabilities to assets ratio is calculated based on our total liabilities as at the end of the relevant period divided by our total assets as at the end of such period. As at 31 December 2023, our liabilities to assets ratio was 0.38. As at 31 December 2022, our liabilities to assets ratio was 0.39. Gearing ratio is calculated by dividing the total amount of loan as at the corresponding date by the total amount of equity as at the same date. As at 31 December 2023 and 31 December 2022, the Group had no interest-bearing loan, therefore the gearing ratio does not apply.

CONTINGENT LIABILITIES

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

FINANCIAL POLICY

The Group has adopted a prudent financial management approach and has maintained a solid liquidity position during the year. To manage liquidity risk, the Board closely monitors the liquidity position of the Group to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE RISK

The Group operates in the PRC and Hong Kong. The Group's businesses are principally conducted in RMB and Hong Kong dollars ("**HK$**"). Foreign exchange risk arises from a foreign currency deposit account and commercial transactions, recognised assets and liabilities, which are denominated in HK$ that is not the functional currency of the Group entities.

The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND BENEFITS POLICIES

As at 31 December 2023, the Group had 5,536 employees (as at 31 December 2022: 4,584 employees). Employee remuneration is determined based on employee performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programmes, and will make necessary adjustments in order to be in line with remuneration levels within industry norms. In addition to basic salaries, employees may be granted discretionary bonus based on individual performance. The remunerations of the Directors are determined based on a variety of factors such as market conditions and responsibilities assumed by each Director. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their productivity.

OTHER INFORMATION

SIGNIFICANT EVENTS

Change of composition of the Board

Mr. Shen Mingsong ("**Mr. Shen**") tendered his resignation as a non-executive Director and a member of the Remuneration Committee of the Board of the Company due to change of his work arrangement. Mr. Shen's resignation became effective upon election of a new non-executive Director at the annual general meeting held on 8 June 2023 (the "**2022 AGM**"). Resolution in relation to the appointment of Ms. Hu Yuxia ("**Ms. Hu**") as a new Director was duly passed at the 2022 AGM. Following the conclusion of the 2022 AGM, Mr. Shen ceased to serve as a Director. Ms. Hu has duly become a non-executive Director and a member of the Remuneration Committee of the Board after the 2022 AGM.

Mr. Liang Jianping ("**Mr. Liang**") tendered his resignation as a non-executive Director of the Company due to change of his work arrangement. Mr. Liang's resignation became effective upon election of a new Director at the extraordinary general meeting held on 7 December 2023 (the "**EGM**"). Resolution in relation to the appointment of Mr. Song Ronghua ("**Mr. Song**") as a new Director was duly passed at the EGM. Following the conclusion of the EGM, Mr. Liang ceased to serve as a Director and Mr. Song has duly become an executive Director after the EGM.

For further details, please refer to the announcements of the Company dated 18 April 2023, 8 June 2023, 14 November 2023 and 7 December 2023 and the circulars of the Company dated 26 April 2023 and 17 November 2023.

Management Discussion and Analysis (Continued)

Change of general manager

In order to further enhance corporate governance and ensure good corporate governance of the Company, in accordance with C.2.1 of Appendix C1 to the Listing Rules of the Stock Exchange, Mr. Sun Jie resigned as general manager of the Company, but still serves as an executive Director and the chairman of the Board, with effect from 14 November 2023. Mr. Song Ronghua has been appointed as the general manager of the Company, with effect from 14 November 2023. His term of service will expire at the end of the second session of the Board. For further details, please refer to the announcement of the Company dated 14 November 2023.

Amendments to the Articles of Association

Resolution on the amendments to the Articles of Association was approved by the Shareholders at the 2022 AGM on 8 June 2023. For details of the amendments to the Articles of Association, please refer to the announcements dated 23 March 2023 and 8 June 2023 and the circular of the Company dated 26 April 2023.

Events after the Reporting Period

Change in use of proceeds

During the Reporting Period, the Group had utilised Net Proceeds of approximately RMB125.05 million. Since the listing of the Company, there has been a slowdown in the overall development due to the impact of the macro environment and intensified market competition in the property management service industry. The Company has taken a more prudent approach to its investments. After careful consideration and detailed assessment of the operation and business strategies of the Group, the Board has decided to change the use of the unutilised portion of the Net Proceeds and update the expected timeline of full utilisation of the Net Proceeds. For further details, please refer to the section headed "Use of Proceeds from the Listing" in this report and the announcement of the Company dated 27 March 2024.

Amendments to the Articles of Association

On 27 March 2024, the Board has passed the resolutions on, among others, the amendments of certain articles of the articles of association of the Articles of Association, subject to the approval by the Shareholders by way of a special resolution at the 2023 annual general meeting to be held by the Company. The proposed amendments were made for the purposes of bringing the Articles of Association in line with the relevant requirements of the Listing Rules, including the amendments relating to the implementation of the consultation conclusions to the Proposed Expansion of the Paperless Listing Regime and other Revisions to the Listing Rules published by the Stock Exchange in June 2023, which came into effect on 31 December 2023. For further details, please refer to the announcement of the Company dated 27 March 2024.

Saved as disclosed in this report, no other significant events of the Group occurred after the Reporting Period.

Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities at any time during the year ended 31 December 2023.

Biographies of Directors, Supervisors and Senior Management

BIOGRAPHIES OF DIRECTORS

Mr. Sun Jie (孫杰), aged 50, is the secretary to the Party Committee, an executive Director, the chairman of the Board and the chairman of the nomination committee of our Company (the "**Nomination Committee**"). He is primarily responsible for the effective operation of the board of Directors of the Company (the "**Board**") and the overall development strategies, business planning and major operational decisions of our Group.

Mr. Sun has over 26 years of experience in property management and hotel management. Mr. Sun joined our Group in January 1997 and since then has been working in various positions within Financial Street Affiliates Group, including as deputy manager of the food and beverage division (餐飲部副經理) in our Company from January to August 1997, then from August 1997 to June 2008, as manager of the food and beverage division (餐飲部經理), assistant general manager, and deputy general manager and then general manager in Beijing Shuncheng Hotel (北京順成飯店), where he was responsible for overseeing its management and operations. Mr. Sun successively served as deputy general manager and executive deputy general manager of Beijing Financial Street Assets Management Co., Ltd. (北京金融街資產管理有限公司), a company engaged in, among others, commercial property development and management business, from January 2011 to January 2014, when he was involved in its overall management of operations and assets management. Mr. Sun served as the general manager of our Company from January 2014 to November 2023 and was appointed as our chairman in November 2017.

Mr. Sun obtained his degree of Executive Master of Business Administration (EMBA) from The Hong Kong University of Science and Technology (香港科技大學) in May 2013. He is currently a member of the 15th session of CPPCC Beijing Xicheng District Committee (政協北京市西城區第十五屆委員會) and the vice president of Beijing Property Management Association (北京物業管理行業協會). He was honoured as one of the 2017–2018 Beijing Outstanding Entrepreneurs (2017–2018年北京優秀企業家) and the Outstanding Contribution Talents of the 4th Session of "100 talents" of Xicheng District (第四屆西城「百名英才」突出貢獻人才).

Mr. Sun's positions in our Company's subsidiaries or associates are as follows: the chairman of the board of directors of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司) and the vice chairman of Chongqing Jiangbeizui Property Service Co., Ltd. (重慶市江北嘴物業服務有限公司).

Mr. Sun is a director of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a substantial Shareholder of our Company.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Song Ronghua (宋榮華), aged 51, is an executive Director and the general manager of our Company. He is primarily responsible for the implementation of development of strategies of our Group and corporate management and specific business operations.

Mr. Song has been engaged in real estate and property management for many years and has extensive experience in real estate development and property management services. From July 1994 to November 1995, he served as the technical director of Beijing Urban Construction Dongfang Engineering Co., Ltd.* (北京城建東方工程有限公司). From November 1995 to June 2012, he successively served as a staff member, an assistant to the manager of engineering department, the manager of marketing department and the secretary to the board of directors of Beijing Jingyuan Real Estate Development Co., Ltd.* (北京敬遠房地產開發有限公司). From June 2012 to November 2023, he successively served as a secretary, a deputy officer and an officer of the party committee office of Beijing Financial Street Investment (Group) Co., Ltd. From January 2018 to May 2019, he served as a director of Beijing Financial Street Savills Property Management Co., Ltd. From January 2018 to November 2023, he served as the secretary to the party committee of the Company. He has served as the general manager of our Company since November 2023.

Mr. Song graduated from Asia Metropolitan University in September 2020, majoring in business administration, and obtained a master's degree in business administration. He obtained the senior engineer (BIM) qualification from the Posts and Telecommunications Talent Exchange Center* (郵電通信人才交流中心) in August 2020.

Ms. Xue Rui (薛蕊), aged 51, is an executive Director and the executive deputy general manager (常務副總經理) of our Company. She is responsible for assisting our chairman and general manager to oversee the overall operations and management of our Company. Ms. Xue joined our Company in August 2014 as assistant general manager and was promoted to deputy general manager in May 2016 and then to executive deputy general manager in May 2018.

Ms. Xue has over 16 years of managerial experience in the hospitality industry. Before joining our Company, Ms. Xue worked at Operation Centre Xidan Grand Mercure Hotel (金融街資本運營中心西單美爵酒店) from May 2007 to January 2012, where her last position was assistant general manager. She worked at Beijing Financial Street Ritz-Carlton Property Co., Ltd. (北京金融街利茲置業有限公司) from February 2012 to July 2014, where she held the position of owner's representative.

Ms. Xue graduated from Tourism College of Beijing Union University (北京聯合大學旅遊學院) and completed a three-year junior college programme in hotel management in July 1998 and graduated from Institute of Finance and Commerce Management Beijing (北京市財貿管理幹部學院) with a bachelor's degree in business administration in July 2005.

Ms. Xue's positions in our Company's subsidiaries are as follows: chairman of the board of directors of Top Property Services Company Limited (置佳物業服務有限公司), executive director and manager of Beijing Jinxi Lilin Livelihood Services Co., Ltd. (北京金禧麗鄰生活服務有限責任公司), director of Beijing Financial Street New City Property Management Co., Ltd.; and director of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司).

Ms. Xue is a director (vice chairman) of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a substantial Shareholder of our Company.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Hu Yuxia (胡玉霞), aged 46, is a non-executive Director and a member of the Remuneration Committee. She is primarily responsible for providing advice on the strategic development, policy formulation and major operational decisions of our Group. Ms. Hu joined our Group as a non-executive Director in June 2023.

Ms. Hu has been engaged in hotel and property management for many years and has extensive experience in hotel and property management and hotel development and construction. From August 1998 to June 2016, she served as an employee, head of sales department, deputy general manager and director of Huangshan Huaxi Hotel Co., Ltd.* (黃山花溪飯店有限公司). From July 2016 to October 2020, she successively served as the deputy general manager and general manager of China Life Real Estate (Huangshan) Investment Management Co., Ltd.* (國壽不動產(黃山)投資管理有限公司). Since July 2016, she has been serving as the assistant to general manager of China Life Real Estate Investment Management Co., Ltd.* (國壽不動產投資管理有限公司) and, since July 2022, she has been serving as the chairman of labour union committee of China Life Real Estate Investment Management Co., Ltd.* (國壽不動產投資管理有限公司). Since March 2018, she has been serving as the director, managing director, chairman and general manager of Anhui Jiuhua Hotel Co., Ltd.* (安徽省九華山莊有限公司). Since June 2022, she has been serving as the director and chairman of Beijing Ningmengshu Restaurant Co., Ltd.* (北京檸檬樹餐飲有限公司). Since March 2023, she has been serving as the executive director and manager of Beijing Tiantai Real Estate Co., Ltd.* (北京天泰置業有限公司).

Ms. Hu obtained a bachelor's degree in business administration from the School of Distance Education of Zhejiang University in July 2012, and completed the part-time postgraduate study in regional economics of the Party School of the Central Committee of the Communist Party of China in July 2018.

Mr. Li Liang (李亮), aged 43, is a non-executive Director. He is primarily responsible for providing advice on strategic development, policy formulation, and major operational decisions of our Group. Mr. Li joined the Group in June 2022 as a non-executive Director.

Mr. Li has nearly 22 years of experience in the real estate industry. He joined Financial Street Holdings Co., Ltd. ("**Financial Street Holdings**"), a subsidiary of Financial Street Group, the controlling shareholder of the Company in 2003 as the project leader of the marketing department.

Mr. Li successively served as the deputy marketing manager of the marketing department of Beijing Desheng Investment Co., Ltd.* (北京德勝投資有限公司), the marketing director of the office department of Financial Street Holdings, the deputy general manager of Financial Street Real Estate Consultants Co., Ltd.* (金融街房地產顧問有限公司), the deputy general manager, general manager and executive director and deputy secretary of the party branch of Financial Street (Tianjin) Real Estate Co., Ltd. (金融街(天津)置業有限公司), the general manager of Financial Street (Beijing) Real Estate Co., Ltd.* (金融街(北京)置業有限公司), the chairman and general manager of Jingjin Rongdu (Tianjin) Real Estate Co., Ltd.* (京津融都(天津)置業有限公司), and the executive director of Financial Street (Zunhua) Real Estate Development Co., Ltd.* (金融街(遵化)房地產開發有限公司). Mr. Li currently serves as the deputy general manager of Financial Street Holdings, the executive director and deputy secretary of the party general branch of Financial Street (Beijing) Real Estate Co., Ltd. and the executive director of Financial Street Wuhan Real Estate Co., Ltd.* (金融街武漢置業有限公司).

Mr. Li graduated from University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in law in 2003.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Zhao Lu (趙璐), aged 45, is a non-executive Director and a member of the audit committee of our Company. She is primarily responsible for providing advice on strategic development, policy formulation and major operational decisions of our Group. Ms. Zhao joined the Group in June 2022 as a non-executive Director.

Ms. Zhao has over 22 years of experience in finance. She served as a cashier of the finance department of China Metallurgical Group Corporation (中國冶金科工集團公司) in 2001 and the tax manager of the planning and finance department in 2003. Ms. Zhao successively served as the head of the business consultancy department of MCC Finance Corporation Ltd. (中冶集團財務有限公司) and the chief accountant of MCC Real Estate Singapore Ltd. (中冶置業新加坡有限公司). She joined Beijing Financial Street Group Finance Co., Ltd. (北京金融街集團財務有限公司) ("**Financial Street Finance**", a subsidiary of Financial Street Group), in 2015 as an assistant to the general manager of the general manager office. Ms. Zhao is currently the deputy general manager of Financial Street Finance.

Ms. Zhao graduated from Changchun Taxation College* (長春税務學院) with a bachelor's degree in finance in 2001 and graduated from Renmin University of China (中國人民大學) with a master's degree in accounting in 2009. Ms. Zhao received the qualification of intermediate economist issued by Beijing Municipal Human Resources and Social Security Bureau (北京市人力資源和社會保障局) in 2016. She also obtained a securities practitioner qualification issued by the Securities Association of China (中國證券業協會) in 2018.

Mr. Song Baocheng (宋寶程) (formerly known as "宋寶成"), aged 57, is an independent non-executive Director and a member of the Nomination Committee, Remuneration Committee and Audit Committee. He is primarily responsible for supervising and providing independent advice to our Board. Mr. Song joined the Group in June 2020 as independent non-executive Director.

Mr. Song is a time-honoured participant with over 22 years' experience in property management industry. Mr. Song was a director of Beijing Junying Property Management Co., Ltd. (北京均贏物業管理有限公司) ("**Junying**") from June 2001 to September 2022 and served as general manager of Junying from June 2001 to June 2012. Junying is a company incorporated in Beijing on 21 June 2001, with its principal business in property management and maintenance of machinery. Junying provides property management service for public projects in Beijing. Since 16 July 2021, Mr. Song has served as the vice president and secretary-in-general (副會長兼秘書長) of the fifth session of Beijing Property Management Association (北京物業管理行業協會), in charge of the day-today operations of the association. Established on 22 October 2008, Beijing Property Management Association is the non-profit organisation for property management enterprises registered in Beijing.

Mr. Song graduated from Harbin Institute of Technology (哈爾濱工業大學) in July 1988 with a bachelor's degree in power engineering, with a specialisation in thermal engineering.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Tong Yan (佟岩), aged 46, is an independent non-executive Director, chairman of the Audit Committee and a member of the Nomination Committee. She is primarily responsible for supervising and providing independent advice to our Board. Ms. Tong has more than 17 years of experience in economics, finance and accounting. Ms. Tong served as a lecturer in the School of Management and Economics of Beijing Institute of Technology (北京理工大學管理與經濟學院) from July 2006 to June 2011 and a visiting fellow at King's College London from August 2012 to August 2013. She served as an associate professor in the school from July 2011 to June 2016 and was promoted to professor of the school in July 2016. Ms. Tong joined the Group in June 2020 as independent non-executive Director.

Ms. Tong graduated from Business School of Renmin University of China (中國人民大學商學院), with a bachelor's degree in economics specialising in accounting in July 2000, a master's degree in management with a specialisation in accounting in July 2003 and a doctor's degree in management in July 2006. Ms. Tong qualified as a certified public accountant (non-practising member) as awarded by the Chinese Institute of Certified Public Accountants in September 2010.

Ms. Tong served as an independent director of Offcn Education Technology Co., Ltd. (中公教育科技股份有限公司), a company listed on the Shenzhen Stock Exchange (stock code: 002607) from 1 February 2019 to 28 January 2022 and served as an independent director of Hebei Jinniu Chemical Industry Co., Ltd. (河北金牛化工股份有限公司), a company listed on the Shanghai Stock Exchange (stock code: 600722) from 16 March 2016 to 11 August 2022.

Ms. Lu Qing (陸晴), aged 52, is an independent non-executive Director and chairman of the remuneration committee. She is primarily responsible for supervising and providing independent advice to our Board.

Ms. Lu joined the Group in June 2020 as independent non-executive Director.

Ms. Lu has over 31 years of experience in finance and accounting. She successively served as business partner and deputy general manager of Peking Certified Public Accountants Co., Ltd. (中勤萬信會計師事務所) from February 1992 to March 2002. From May 2002 to May 2008, she served as chief financial officer of the China operations of Sing Tao News Corporation Limited (星島新聞集團有限公司), a company listed on the Stock Exchange (stock code: 1105) and principally engaged in media operations, and concurrently held various positions including chief financial officer, director and company secretary in some of the Sing Tao group's subsidiaries in China. From January 2013 to November 2015, she served as the head of internal audit of China Regenerative Medicine International Limited (中國再生醫學國際有限公司), a company listed on the Stock Exchange (stock code: 8158) and principally engaged in, among others, production and sales of tissue engineering products and its related by-products. From October 2015 to September 2022, she served as chief operation officer of Wonderland International Asset Management Limited (華德國際資產管理有限公司) and director and assistant chief executive officer of Wonderland International Financial Holdings Limited (華德國際金融控股有限公司) successively. Since April 2023, Ms. Lu has served as an executive director of Longma International Trust Limited.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Lu graduated from Central University of Finance and Economics (中央財經大學) (formerly known as Central Institute of Finance (中央財政金融學院)) in June 1993 with a bachelor's degree in economics specialising in accounting, and graduated from the Peking University (北京大學) in January 2003 with a master's degree in law.

Ms. Lu qualified as a PRC certified public accountant in April 1995, and qualified as a PRC certified tax agent in December 1999.

Ms. Lu obtained a Type 9 (asset management) licence granted by the SFC in January 2017. She was awarded the Responsible Person Qualification in September 2020 and ceased to possess such qualification in November 2022. Ms. Lu was designated as a non-practising PRC certified public valuer in October 2017.

In addition, Ms. Lu also serves as a director of SPI Energy Co., Ltd., a company listed on NASDAQ (stock code: SPI) and principally engaged in manufacture and sales of photovoltaic systems.

BIOGRAPHIES OF SUPERVISORS

Mr. Liu Anpeng (劉安鵬), aged 43, is the chairman of the supervisory committee of our Company (the "**Supervisory Committee**"). He is primarily responsible for overseeing the affairs of the Supervisory Committee, and monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management. Mr. Liu joined our Company in July 2018 and has been serving as a supervisor of the Company (the "**Supervisor**") ever since.

Mr. Liu joined Financial Street Affiliates Group in July 2007 and has held various positions within Financial Street Affiliates Group, including as a planning manager of Beijing Financial Street Real Estate Consultants Ltd. (北京金融街房地產顧問有限公司), a direct wholly-owned subsidiary to Financial Street Holdings, from July 2007 to August 2008, and at Financial Street Holdings from August 2008 to December 2012, where his last position was internal control manager. Mr. Liu was the secretary to the board of directors of Beijing Financial Street Assets Management Co., Ltd. (金融街資產管理有限公司) from January 2013 to March 2013. Mr. Liu has been working at Beijing Financial Street Investment (Group) Co., Ltd. since March 2013 and he is currently the director of legal affairs and general manager of its legal department of the Company.

Mr. Liu graduated from China University of Political Science and Law (中國政法大學) with a bachelor's degree in law in July 2003 and a master's degree in law in June 2007. Mr. Liu qualified as a legal professional as awarded by the Ministry of Justice of the PRC in March 2004 and qualified as a certified public accountant (non-practising member) as awarded by the Chinese Institute of Certified Public Accountants in April 2017.

Biographies of Directors, Supervisors and Senior Management (Continued)

Ms. Gao Minghui (高明慧), aged 41, is a Supervisor. She is primarily responsible for monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management. Ms. Gao joined the Company in June 2019 as a senior risk manager in the risk and legal affairs centre of the Company, and has been an assistant to general manager in the risk and legal affairs centre of the Company since 21 August 2022. She has been a Supervisor since 7 December 2020.

Prior to joining the Company, from July 2010 to September 2011, Ms. Gao worked in Beijing Foresight Innovation Co., Ltd. (北京遠創明德管理諮詢有限公司) as a consultant. From November 2011 to April 2014, she worked at Beijing First Huida Risk Management Application Technology Co., Ltd. (北京第一會達風險管理科技有限公司) with her last position as a consultant in its consulting department. From April 2014 to May 2017, she worked at Beijing Shanhaitian Materials Trading Co., Ltd. (北京山海天物資貿易有限公司) as an audit manager in its risk control department. From May 2017 to May 2019, Ms. Gao worked in China UCAR Group Co., Ltd. (神州優車集團有限公司) as the head of its internal control department, where she was seconded to Luckin Coffee (Beijing) Co., Ltd. (瑞幸咖啡(北京)有限公司) as the optimisation manager of its management optimisation department from June 2018.

Ms. Gao graduated from Beijing Jiaotong University with a bachelor's degree in management in July 2007 specialising in logistics management and from the University of International Business and Economics with a master's degree in economics in July 2010 specialising in quantitative economics. Ms. Gao obtained a securities practitioner qualification (證券從業資格) issued by the Securities Association of China (中國證券業協會) in 2009. She was certified as a Certified Internal Auditor (國際註冊審計師) by the Institute of Internal Auditors (國際內部審計師協會) in December 2016 and received the qualification of intermediate economist (中級經濟師) issued by Beijing Municipal Human Resources and Social Security Bureau (中華人民共和國人力資源和社會保障部) in November 2019.

Ms. Lyu Min (呂敏), aged 34, is an employee representative Supervisor. She is primarily responsible for monitoring operation and financial matters, examining periodic reports and supervising the conduct of our Board and senior management.

Ms. Lyu joined our Company in July 2017 and has successively served in various positions, including as discipline inspection and supervisory officer, as commissioner of discipline inspection office and as the assistant director of the discipline inspection office and has served as the deputy director of discipline inspection office since 25 March 2022. She was appointed a Supervisor in September 2019. Ms. Lyu graduated from Jinzhong University (晉中學院) in July 2012 with a bachelor's degree in management and from Beijing Normal University (北京師範大學) in June 2017 with a master's degree in applied psychology. Ms. Lyu was certified as an enterprise human resources professional (企業人力資源管理師) at level three and a psychological consultant (心理諮詢師) at level two from the Ministry of Human Resources and Social Security ("**MOHRSS**") in January 2011 and December 2017, respectively.

Biographies of Directors, Supervisors and Senior Management (Continued)

BIOGRAPHIES OF SENIOR MANAGEMENT

Mr. Chen Xi (陳曦), aged 44, is a deputy general manager, secretary to our Board and labour union chairman (工會主席) of our Company. He is responsible for the corporate governance of our Company and the overall management and day-to-day operations of certain branches and subsidiaries of our Company.

Mr. Chen has over 23 years of experience in property management. Mr. Chen joined our Company in July 2000, serving as assistant general manager in February 2007 and has successively served in various positions. Mr. Chen has been serving as the deputy general manager of our Company since May 2017, secretary to our Board since July 2008 and labour union chairman since June 2012. Currently, Mr. Chen is also the chairman of board of directors and manager of Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司), a supervisor of Beijing Huarong Real Estate Agency Co., Ltd. (北京華融房地產經紀有限公司), the vice chairman of board of directors of Harbin Financial Street Property Management Co., Ltd. (哈爾濱金融街物業管理有限公司) and the person-in-charge of the Harbin branch (哈爾濱分公司) of our Company.

Mr. Chen graduated from University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in engineering in July 2000. He was issued a qualification certificate as a board-level secretary by the Shenzhen Stock Exchange in November 2012. He qualified as a PRC certified property manager as approved by the MOHRSS and the MOHURD in October 2010 and was registered as a PRC certified property manager by the MOHURD in February 2014. Since March 2023, Mr. Chen has served as the president of the first session of Beijing Xicheng District Property Management Association (北京市西城區物業管理協會).

Mr. Zhao Wencheng (趙文成), aged 54, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches and subsidiaries of our Company.

Mr. Zhao has over 23 years of experience in property management. Mr. Zhao joined our Company in July 2000 and has successively served in various positions. He has been appointed as a deputy general manager of our Company since June 2012. Currently, Mr. Zhao is the vice-chairman of Huai'an Guolian Financial Centre Property Service Co., Ltd. (淮安市國聯金融中心物業服務有限公司), an associate of our Company, and the person-in-charge of the Changshu branch, Shanghai branch, Jiaxing branch and Suzhou branch of our Company.

Mr. Zhao completed all undergraduate courses in property management at the adult education school of the Party School of the Beijing Municipal Committee of CPC in 2007. Mr. Zhao was certified as an assistant engineer by Beijing Primary Specialised Technique Qualification Evaluation Committee (北京市初級專業技術資格評審委員會) in September 2006 and he passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development (北京市住房和城鄉建設委員會) in March 2011. In February 2014, Mr. Zhao was registered as a PRC certified property manager by the MOHURD.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Tang Xiao (唐曉), aged 54, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches and subsidiaries of our Company.

Mr. Tang has over 27 years of experience in property management. Mr. Tang joined our Company in September 1996, serving as assistant general manager in November 2006 and has successively served in various positions, from project manager to deputy general manager of our Company. He has been working as a deputy general manager of our Company since January 2015. Currently, Mr. Tang is the person-in-charge of each of the Tianjin branch, Langfang branch, Zunhua branch and Gu'an branch of our Company, and executive director of Beijing Financial Street Residential Property Management Co., Ltd. (北京金融街住宅物業管理有限責任公司) and Beijing Xidan Dongnan Mansion Real Estate Management Co., Ltd. (北京市西單東南大廈物業管理有限公司), both of which are our Company's subsidiaries, and the director of Beijing Financial Street New City Property Management Co., Ltd. and Luoyang UDI Property Service Co., Ltd. (洛陽城投物業服務有限責任公司) and the chairman of the board of directors Rongjing Property Services (Beijing) Company (融京物業服務(北京)有限公司).

Mr. Tang studies in the Correspondence Institute of the Party School of the Central Committee of CPC (中共中央黨校函授學院) and obtained his bachelor's degree in law in December 2006. Mr. Tang obtained a property management manager certificate (物業管理單位部門經理、管理人員崗位證書) from the Personnel Education Department (人事教育司) and the Housing and Real Estate Department (住宅與房地產業司) of the Ministry of Construction of the PRC (中華人民共和國建設部) in November 1999. He was certified as a property management professional (物業管理師) by the Ministry of Labour and Social Security of the PRC (now merged into MOHRSS) in December 2003. He passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development in March 2011. In September 2011, he qualified as a PRC certified property manager as approved by the MOHRSS and the MOHURD.

Ms. Lyu Bin (呂彬), aged 53, is a deputy general manager of our Company. She is responsible for overall management and day-to-day operations of the food and beverage business of our Group.

Ms. Lyu has over 27 years of experience in property, food and beverage and management. Ms. Lyu joined our Company in November 1996 and has successively served in various positions at our Group and Financial Street Affiliates Group, including Beijing Shuncheng Hotel (北京順成飯店) from June 1997 to March 2012, where her last position was general manager. She started serving as an assistant general manager of our Company in January 2013 and has been a deputy general manager of our Company since May 2017. Currently, Ms. Lyu is the executive director and general manager of Beijing Jinxi Litai Hotel Management Co., Ltd. (北京金禧麗泰酒店管理有限責任公司) and the person-in-charge of certain branch companies and chairperson of the board of directors of Beijing IZEE Trading Co., Ltd. (北京怡己購商貿有限公司) and Beijing IZEE Mitsuyado Restaurant Management Co., Ltd. (北京怡己三矢堂餐飲管理有限公司).

Ms. Lyu graduated from University of Modern Administration (現代管理大學) in the PRC and completed undergraduate studies in business and enterprise management in July 2005 and completed the postgraduate programme in business management at Beijing Technology and Business University (北京工商大學) in March 2011.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Zhang Junling (張軍齡), aged 52, is a deputy general manager of our Company. He is responsible for overall management and day-to-day operations of certain branches and subsidiaries of our Company.

Mr. Zhang joined our Company in July 2012 and has been working in various positions at our Company, including as an assistant general manager from May 2017 to August 2018 and later as a deputy general manager since August 2018. Currently, Mr. Zhang is the chairman of the board of directors of Financial Street Hongya Property Services (Chongqing) Co., Ltd., the chairman and general manager of Ronghua Property Management (Huai'an) Company Limited (融華物業管理(淮安)有限公司) and the person-in-charge of certain branches of our Company, including Chengdu branch and Chongqing branch.

Mr. Zhang has over 18 years of experience in property management. Prior to joining our Company, Mr. Zhang worked in Beijing Dejia Property Management Co., Ltd. (北京德佳物業管理有限公司) from May 2005 to April 2009, where his last position was deputy general manager. Mr. Zhang worked as property director (物業總監) in Beijing Ankai Jiaye Property Management Co., Ltd. (北京安開嘉業物業管理有限公司) from May 2009 to May 2012.

Mr. Zhang graduated from Party School of the Beijing Municipal Committee of CPC (中共北京市委黨校) and obtained the college graduation certificate of economic management in July 2005 and the bachelor's diploma of administrative management in July 2008. He passed the Beijing property manager examination and qualified as a person-in-charge of property projects as approved by the Beijing Municipal Commission of Housing and Urban-Rural Development in March 2011. In February 2014, he was registered as a PRC certified property manager by the MOHURD. He obtained the economics professional qualification (經濟專業技術資格) in real estate economics at intermediate level from the MOHRSS in November 2017.

Mr. Xiang Zheng (項崢), aged 45, is the financial controller of our Company. He is responsible for financial management and accounting matters of our Company.

Mr. Xiang joined our Company in February 2010 and has been working as the financial controller of our Company since February 2014. Currently, Mr. Xiang is also the financial controller of Beijing Financial Street Savills Property Management Co., Ltd. (北京金融街第一太平戴維斯物業管理有限公司) and director of Financial Street Shengda (Beijing) Technology Co., Ltd. (金融街升達(北京)科技有限公司).

Mr. Xiang has over 18 years of experience in accounting. Prior to joining our Company, Mr. Xiang held financial and accounting duties at various companies, including Beijing Jinyi Real Estate Development Co., Ltd. (北京金易房地產開發有限公司) from April 2005 to February 2010.

Mr. Xiang graduated from University of Science and Technology Beijing (北京科技大學) with a bachelor's degree in accounting in July 2005. In December 2014, he passed the National Uniform Certified Public Accountant Examination of the PRC. Mr. Xiang was certified as a senior accountant by the Beijing Senior Specialised Technique Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in October 2016.

Biographies of Directors, Supervisors and Senior Management (Continued)

Mr. Wang Zhanhu (王占虎), aged 49, is the assistant general manager of our Company. He is responsible for the safety operation management of our Company and the operational management of certain branches and subsidiaries and projects of our Company.

Mr. Wang has over 22 years of experience in property management. He joined our Company in April 2001 and has held various positions, including manager of our estate management centre, manager of our Ping'an property management centre, and manager of our Desheng international project centre. He was appointed as an assistant general manager of our Company in August 2018. Currently, Mr. Wang serves as a director of Top Property Services Company Limited (置佳物業服務有限公司) and the chairman of the board of directors of Orchard Financial Street (Beijing) Operation Management Co., Ltd. (烏節金融街 (北京) 運營管理有限公司).

Mr. Wang graduated from Zhengzhou Industrial College (鄭州工業高等專科學校, now known as Henan University of Technology (河南工業大學)), completing junior college level (專科) studies in polymer science (高分子材料) in July 1999 and from the Party School of the Beijing Municipal Committee of CPC, obtaining an undergraduate certificate in property management in July 2008. Mr. Wang obtained the qualification certificate as a certified property manager from the MOHURD in May 2011.

Ms. Jiang Xin (江欣), aged 48, is the human resources controller of our Company. She is responsible for human resources management, administrative management, provision of advice and standardisation of our Company.

Ms. Jiang joined our Company in January 2008. She served as the human resources manager of our Company from November 2008 to May 2017 and was promoted to her current position in May 2017. Currently, Ms. Jiang is also a director of Ronghua Property Management (Huai'an) Company Limited (融華物業管理 (淮安) 有限公司).

Ms. Jiang graduated from Beijing University of Technology (北京工業大學) with a bachelor's degree in mechanical and electrical engineering in July 2000. She was certified as an assistant engineer by the Beijing Primary Specialised Technique Qualification Evaluation Committee (北京市初級專業技術資格職務評審委員會) in August 2002, and as an enterprise human resources management professional (企業人力資源管理師) at level one and human resource management economist (intermediate level) (人力資源管理經濟師 (中級)) by the MOHRSS in September 2014. Ms. Jiang is currently a member of the Human Resources Development Committee of the China Property Management Institute (中國物業管理協會人力資源發展委員會) and the secretary general of the Human Resources Professional Committee of Beijing Property Management Association (北京物業管理行業協會人力資源專業委員會).

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The board of Directors of the Company (the "**Board**") is committed to achieving a high standard of corporate governance to address the needs of the Group's stakeholders (including shareholders, investors, customers, suppliers, employees and the community) so as to enhance their confidence towards the Group and enable the Group's sustainable development. The maintenance of high standard of business ethics and corporate governance practices has always been one of the Group's goals. The Company believes that good corporate governance provides a framework that is essential for effective management, successful business growth and a healthy corporate culture, thereby leading to the enhancement of shareholders' value. Corporate culture is crucial to the fulfilment of the Company's mission. The Board has been making efforts in reviewing and enhancing its risk management and internal controls and procedures in light of changes in regulations and developments in best practices, so as to ensure that the Company's purpose, values and strategies align with its corporate culture.

The Company has adopted and applied the Corporate Governance Code (the "**Corporate Governance Code**") set out in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") (which has been revised as Appendix C1 of the Listing Rules with effect from 31 December 2023), which was in force during the year ended 31 December 2022 as its own corporate governance code. To the best knowledge of the Directors, except for code provision C.2.1 set out below, the Company has complied with all applicable code provisions under the Corporate Governance Code during the year ended 31 December 2023.

According to the Corporate Governance Code, the roles of chairman of the board of directors of a company and the general manager should not be performed by the same individual. During the period from 1 January 2023 to 14 November 2023, the roles of chairman of the Board ("**Chairman**") and general manager of the Company are performed by Mr. Sun Jie. On 14 November 2023, the Company appointed Mr. Song Ronghua as the general manager and Mr. Sun Jie continues to act as the Chairman of the Board. The Company has complied with code provision C.2.1 of the Corporate Governance Code since 14 November 2023.

BOARD OF DIRECTORS

Composition of the Board

As at the date of this report, the Board consists of three executive Directors (namely Mr. Sun Jie (Chairman), Mr. Song Ronghua (general manager) and Ms. Xue Rui), three non-executive Directors (namely Ms. Hu Yuxia, Mr. Li Liang and Ms. Zhao Lu) and three independent non-executive Directors (namely Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing). An updated list of Directors and their roles and functions is posted on the websites of the Stock Exchange and the Company. Their names and biographical details are set out in the "Biographies of Directors, Supervisors and Senior Management" section of this report. The Board has the responsibility for the overall management of the Company's operations, as well as for overseeing and formulating the overall business strategy.

Apart from the information disclosed in the section headed "Biographies of Directors, Supervisors and Senior Management" of this report, there is no financial, business, family and other material or relevant relationship among the respective Directors, the supervisors, the chairman and the general manager of the Company.

For the year ended 31 December 2023, the Board has consistently complied with Rules 3.10(1) and (2) of the Listing Rules regarding the appointment of at least three independent non-executive Directors and at least one independent non-executive Director who shall have appropriate professional qualifications or accounting and financial management expertise. The three independent non-executive Directors account for one-third of the Board, which meets the requirements of Rule 3.10A of the Listing Rules, that is, the independent non-executive Directors of the listed issuer must make up at least one-third of the Board. The Board believes that the Board has sufficient independence to safeguard the interests of the Shareholders.

With the consent of the Board, the Directors may seek independent professional advice, at the Company's expense. On an annual basis, the Board will review the implementation and effectiveness of such mechanism. No member of the Board sought such advice in 2023.

Duties of Directors

The Board is responsible for overseeing all major matters of the Company, including formulating and approving all policy matters, overall strategy, internal control and risk management systems, and supervising the performance by senior management of their duties. Directors shall make objective decisions based on the Company's overall interests. As at the date of this report, the Board consists of nine Directors, including three executive Directors, three non-executive Directors and three independent non-executive Directors. The names and biographical details of the Directors are listed in the section headed "Biographical Details of Directors, Supervisors and Senior Management" of this report.

The liability insurance of the Directors, Supervisors and senior management of the Company is maintained by the Company to prevent and cover certain legal liabilities that may arise in the course of performing their duties.

Board Authorisation

The management consisting of executive Directors and other senior management is authorised to implement the strategies and guidelines approved by the Board from time to time and is responsible for the day-to-day management and operations of the Group. The executive Directors and senior executives meet regularly to review the performance of the Group's overall business, coordinate overall resources, and make financial and operating decisions. The Board also gives clear instructions on its management powers (including circumstances where the management should report to it) and will regularly review the authorisation arrangements to ensure that they are suitable for the needs of the Group.

Directors' Responsibility for the Financial Statements

The Directors acknowledge their responsibility to prepare the Group's consolidated financial statements in accordance with statutory requirements and applicable accounting standards. The Directors also acknowledge their responsibilities to ensure the timely release of the Group's consolidated financial statements. The Directors are not aware of any significant uncertainties related to events or conditions which may have a significant impact on the Company's ability to continue as a going concern. Therefore, the Directors have prepared the consolidated financial statements of the Group in accordance with the going concern standard.

Corporate Governance Report (Continued)

Independent Non-executive Directors

Independent non-executive Directors play an important role in the Board by virtue of their independent judgements, and their views exert great significance over the decisions of the Board. The functions of independent non-executive Directors include holding impartial views and judgements on such issues as the Company's strategy, performance and control; and reviewing the Company's performance and monitoring performance reports.

All independent non-executive Directors have extensive academic, professional, industry knowledge and management experience, and have made positive contributions to the Company's development by providing professional advice to the Board.

The Board has established a mechanism to ensure that independent views and inputs are available to the Board. Also, official and unofficial channels have been established for the independent non-executive Directors to express their opinions in open, frank and confidential manners (if necessary). This mechanism ensures independent views and input are available to the Board, and its implementation and effectiveness are reviewed on an annual basis.

The Company will ensure that there are channels (in addition to independent non-executive directors) where independent views are available, including but not limited to the availability of access by the Directors to external independent professional advice to assist with their performance of duties.

Confirmation of Independence

The independence of the independent non-executive Directors has been assessed in accordance with the applicable Listing Rules, and the Company has received from each independent non-executive Director an annual written confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors meet the guidelines for assessing independence set out in Rule 3.13 of the Listing Rules and are independent, with a term of office not longer than 9 years.

Board Diversity Policy

Our Board has adopted a board diversity policy ("**Board Diversity Policy**") on 9 June 2020 setting out the approach to achieve diversity on our Board. The Company recognises and embraces the benefits of a diversified Board, and considers board-level diversity to be an important element in supporting the achievement of the Company's strategic goals and sustainable development. Pursuant to the Board Diversity Policy, the Company seeks to make decisions based on the strengths of the candidates and their contribution to the Board through the consideration of a number of factors, including but not limited to gender, age, cultural and educational background, professional qualification, experience, independence, skills, and knowledge, as well as the Company's business characteristics and future development needs. The Company will select potential Board candidates based on merit and his/her potential contribution to our Board while taking into account the Board Diversity Policy and other factors of the Company. Our Company will also take into consideration our own business model and specific needs from time to time. All Board appointments will be based on meritocracy and candidates will be considered against objective criteria, having due regard to the benefits of diversity on our Board.

The Board reflects the current management of our Group and comprises nine members, including one female executive Director, two female non-executive Directors and two female independent non-executive Directors. The total number of women increased to five, representing an increase in proportion of female Directors and accounting for five-ninths of the Board members, which further increased Board diversity. The Directors have a balanced mix of experiences, including property management, hotel management business, overall management and business development, legal, finance, auditing and accounting experiences. Furthermore, the ages of the Directors range from 43 years old to 57 years old. The Company has taken and will continue to take steps to promote gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels.

Taking into account the business model and specific needs of the Company as well as the presence of five female Directors out of a total of nine Board members, the age range of the Directors and their respective background, the Company considers that the composition of our Board satisfies the Board Diversity Policy. The Company has also taken and will continue to take measures to enhance diversity at all levels of the Company, including, but not limited to, the Board and management levels. Although the Company recognises that the existing composition of the Board can enhance the diversity of the Board, it will continue to refer to the Board Diversity Policy and apply the rules of appointment based on the actual situation.

With regards to gender diversity on our Board, the Board Diversity Policy further provides that our Board shall take opportunities to increase the proportion of female members when selecting and making recommendations on suitable candidates for Board appointments. The Group will also ensure that there is a gender diversity when recruiting staff at the mid to senior levels so that there are female senior management and potential successors to our Directors going forward. As at 31 December 2023, among the Group's employees (including the senior management), male employees accounted for 62.5% and female employees accounted for 37.5%. Given that some of the positions in the Company (such as security guards) are traditionally male-dominated occupations, during the recruitment process of the Group, the aim of the Group is to maintain an appropriate balance between gender diversity among employees and actual situation of the Group, with reference to stakeholders' expectation and international and local recommended best practices.

The Nomination Committee will review the structure, size and composition of the Board once a year to ensure the effective implementation of the Board Diversity Policy. The Nomination Committee will also review the Board Diversity Policy from time to time to ensure its continued effectiveness.

During the year ended 31 December 2023, the Board, through the Nomination Committee, reviewed the Board Diversity Policy and concluded that such policies were effective and adequate.

Appointment, Re-election and Removal of Directors

According to the articles of association of the Company as amended from time to time (the "**Articles of Association**"), Directors shall be elected by general meeting and the term of office of the Directors (including non-executive Directors) is from the date of passing the resolutions at the general meeting to the expiry date of the term of office of the Board of that session. The term of each session of the Board is three years, and the Directors are eligible for re-election upon expiry of the term.

Corporate Governance Report (Continued)

At any time before the expiration of the Director's term, the Shareholders may dismiss any Director by an ordinary resolution at any general meeting convened and held in accordance with the Articles of Association, despite the contrary in the Articles of Association or the existence of any agreement reached between the Company and the Director (but without prejudice to any claim for damages under that agreement).

Director Training and Professional Development

Each newly appointed Director receives formal training at the first occasion of his/her appointment. Subsequently, the Directors will obtain the latest developments regarding the Listing Rules, legal and other regulatory requirements, as well as the Group's business development. For the year ended 31 December 2023, according to the records provided by the Directors, all Directors participated in continuous professional development activities by way of attending trainings related to directors' duties and reading materials covering topics including regulatory updates on compliance matters under the Listing Rules. Both Mr. Song Ronghua and Ms. Hu Yuxia, upon their appointment as Directors of the Company, received training related to the duties of directors of Hong Kong listed companies and the continuous responsibilities that directors and companies need to abide by under the Listing Rules.

The following table sets forth the training received by the existing Directors during the year:

Directors	Continuing professional training	Reading materials related to regulation and governance (newspaper, publication or information)
Mr. Sun Jie	Yes	Yes
Mr. Song Ronghua	Yes	Yes
Ms. Xue Rui	Yes	Yes
Ms. Hu Yuxia	Yes	Yes
Mr. Li Liang	Yes	Yes
Ms. Zhao Lu	Yes	Yes
Mr. Song Baocheng	Yes	Yes
Ms. Tong Yan	Yes	Yes
Ms. Lu Qing	Yes	Yes

BOARD MEETING AND GENERAL MEETING

The Board meets regularly to discuss and formulate the overall strategy, operations and financial performance of the Group. Directors can participate in person or through electronic communication. The Board holds at least four meetings per year at a frequency of approximately once a quarter, and will arrange ad hoc meetings if necessary. The date of each meeting is set in advance so that the Directors can attend the meeting in person.

During the year ended 31 December 2023, the Directors have made active contribution to the affairs of the Group and 11 Board meetings were held.

Corporate Governance Report (Continued)

Director Attendance Record

For the year ended 31 December 2023, the attendance records of the Directors at Board meetings, meetings of special committees under the Board and general meetings are as follows:

Number of meetings attended/number of meetings held for the year ended 31 December 2023

	Board	Audit Committee	Remuneration Committee	Nomination Committee	General Meeting
Executive Director					
Mr. Sun Jie *(Chairman/General Manager[1])*	11/11	N/A	N/A	3/3	3/3
Mr. Song Ronghua *(General Manager[2])*	0/0	N/A	N/A	N/A	N/A
Ms. Xue Rui	11/11	N/A	N/A	N/A	3/3
Non-executive Director					
Ms. Hu Yuxia[3]	6/6	N/A	1/1	N/A	1/2
Mr. Shen Mingsong[4]	5/5	N/A	2/2	N/A	1/2
Mr. Liang Jianping[5]	10/11	N/A	N/A	N/A	2/3
Mr. Li Liang	11/11	N/A	N/A	N/A	3/3
Ms. Zhao Lu	10/11	1/2	N/A	N/A	3/3
Independent Non-executive Director					
Mr. Song Baocheng	9/11	2/2	3/3	3/3	3/3
Ms. Tong Yan	10/11	2/2	N/A	3/3	3/3
Ms. Lu Qing	10/11	N/A	3/3	N/A	3/3

1. Mr. Sun Jie resigned as the general manager of the Company, but still serves as the chairman of the Board and an executive Director, with effect from 14 November 2023.

2. Mr. Song Ronghua was appointed as the general manager of the Company on 14 November 2023 and has been appointed as an executive Director with effect from 7 December 2023.

3. Ms. Hu Yuxia has been appointed as a non-executive Director with effect from 8 June 2023.

4. Mr. Shen Mingsong resigned as a non-executive Director with effect from 8 June 2023.

5. Mr. Liang Jianping resigned as a non-executive Director with effect from 7 December 2023.

The Directors above who were not physically present at the Board/committee meetings had authorised the alternate Directors/members of the committee to attend the meetings on their behalf and vote as authorised on the motions.

Corporate Governance Report (Continued)

Nomination Policy

The Nomination Committee adopts a variety of methods to qualify candidates for Directors, including recommendations from Board members, the management and professional intermediaries. In addition, the Nomination Committee will consider Director candidates appropriately submitted by Shareholders. The evaluation of the Nomination Committee on Director candidates may include, but is not limited to, review of resumes and work experience, personal interviews, verification of professional and personal recommendation letters, and performing background checks. The Board will consider the recommendations of the Nomination Committee and be responsible for designating candidates for Directors to be elected by Shareholders at the Company's general meeting, or appointing suitable candidates to serve as Directors to fill Board vacancies or as supplements to Board members, and to comply with the Articles of Association. All Director appointments should be confirmed through a letter of appointment and/or service contract, which should state the main terms and conditions of Director appointment.

The Nomination Committee shall consider the following qualification requirements of a candidate for recommendation of potential new Directors to the Board or for re-election of existing Directors:

- personal and professional conduct and integrity;
- nominees' proven personal achievements and abilities and their ability to make reasonable business judgements;
- skills that complement the existing Board;
- ability to assist and support management and make significant contribution to the success of the Company; and
- understand the time and effort required for Board members to be trusted and to perform their duties diligently.

Candidates for independent non-executive Directors should meet the "independence" criteria set out in the Listing Rules and the composition of the Board needs to comply with the provisions of the Listing Rules.

The Nomination Committee shall consider other factors as it considers to be in the best interest of the Company and Shareholders.

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' AND SUPERVISORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as the code of conduct and rules governing dealings by all the Directors and supervisors of the Company in the securities of the Company. Having made specific enquiry of all the Directors and supervisors, they have confirmed that they have complied with the required standards set out in the Model Code for the year ended 31 December 2023.

According to the Company's requirements, the relevant management personnel and employees are also subject to the Model Code, which prohibits them from dealing in the Company's securities whenever they possess inside information related to the securities. The Company was not aware of any incidents of non-compliance with the Model Code by relevant personnel and employees.

REMUNERATION OF SENIOR MANAGEMENT

Details of emoluments of the Directors and chief executive and the remuneration of each of the five highest paid individuals are set out in note 15 to the consolidated financial statements for the year ended 31 December 2023.

The remuneration of the senior management of the Company by band for the year ended 31 December 2023 is as follows:

Remuneration band (RMB)	Number of individuals
0–1,000,000	10
1,000,001–1,500,000	1

DIVIDEND POLICY

The payment and amount (if any) of dividends depend on the Group's operating results, cash flow, financial position, legal and regulatory restrictions on dividends, future prospects and other relevant factors. Shareholders will be entitled to receive dividends on a pro-rata basis based on their respective paid-up shares of the Company (the "**Shares**") or paid-up capital which has been credited to the Shares. The Company determines the declaration, payment and amount of dividends at its sole discretion. The proposed payment of dividends must also be at the discretion of the Board, and any declaration of final dividend is subject to Shareholders' approval. The Board will conduct annual review on the dividend policy and does not guarantee any declaration or payment of dividends in any specific amount for any specific period. The Group intends to declare and pay an annual dividend for each financial year at an amount not less than 30% of the profits of such year.

WHISTLEBLOWING MANAGEMENT AND ANTI-CORRUPTION POLICY

The Company has developed and adopted whistleblowing management measures and is committed to maintaining high standards of integrity and ethical business conduct. The whistleblowing management measures guide the Company's employees and business counterparts (such as customers and suppliers) in taking appropriate actions to combat corruption.

Corporate Governance Report (Continued)

Any employees of the Company and its business counterparts (such as customers and suppliers) may raise concerns, in confidence, with the Audit Committee about possible improprieties in any matter related to the Company.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing corporate governance duties, including:

- to develop and review the policies and practices on corporate governance and make recommendations to the Board;
- to review and monitor the training and continuous professional development of the Directors and senior management;
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements;
- to develop, review and monitor the code of conduct and compliance manual for employees and the Directors; and
- to review the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

During the year ended 31 December 2023, the Board has performed the above duties.

BOARD COMMITTEES

The Board has established three committees with respective written terms of reference to oversee related business of the Group.

AUDIT COMMITTEE

The Company has established the Audit Committee in accordance with Rules 3.21 to 3.23 of the Listing Rules and has established its written terms of reference in accordance with the Corporate Governance Code. The main responsibilities of the Audit Committee are, among others:

(1) to review and supervise the Group's financial reporting procedures and internal control system, risk management and internal audit;

(2) to provide advice to the Board; and

(3) to perform other duties that the Board may delegate.

As at the date of this report, the Audit Committee consists of three members, namely Ms. Tong Yan and Mr. Song Baocheng, being independent non-executive Directors, and Ms. Zhao Lu, being a non-executive Director. The Audit Committee is chaired by Ms. Tong Yan, an independent non-executive Director with appropriate accounting and related financial management expertise, which meet the requirements of Rule 3.21 of the Listing Rules.

In accordance with the requirements under code provision D.3.3(e)(i) of the Corporate Governance Code, the Audit Committee shall meet at least twice a year with the auditors of the Company. For the year ended 31 December 2023, the Audit Committee held two meetings with the senior management and the independent auditors of the Company: (i) to consider the independence of the independent auditors and the scope of their audit; (ii) to review and discuss the risk management and internal control system of the Group, the effectiveness of the internal audit and risk control management function of the Company; (iii) to review the 2023 interim results of the Group and the opinions and reports of the independent auditors, and submit the interim results to the Board for approval; and (iv) to consider the 2022 annual results and the opinions and report of the independent auditors, and submit the annual results to the Board for approval.

REMUNERATION COMMITTEE

The Company has established the Remuneration Committee in accordance with the Corporate Governance Code and has established its written terms of reference. The main responsibilities of the Remuneration Committee are to advise the Board on remuneration of Director and senior management, and among others:

(1) to establish, review and provide advice to our Board on our policy and structure concerning remuneration of our Directors, supervisors and senior management and transparent procedure for developing policies concerning such remuneration;

(2) to determine the terms of the specific remuneration package of each Director, Supervisor and member of senior management;

(3) to review and approve remuneration by reference to corporate goals and objectives resolved by our Directors from time-to-time; and

(4) to review and/or approve matters relating to share schemes under Chapter 17 of the Listing Rules.

As at the date of this report, the Remuneration Committee consists of three members, namely Ms. Lu Qing and Mr. Song Baocheng, being independent non-executive Directors and Ms. Hu Yuxia, a non-executive Director. Ms. Lu Qing, an independent non-executive Director, served as the chairman of the Remuneration Committee.

For the year ended 31 December 2023, the Remuneration Committee held three meetings, to review the remuneration of Directors, Supervisors and senior management and the performance bonuses for key posts in the Group and review the relevant matters relating to the remuneration policy and assessment and incentive mechanism for senior management.

NOMINATION COMMITTEE

The Company has established the Nomination Committee in accordance with the Corporate Governance Code, and has established its terms of reference. The main responsibilities of the Nomination Committee are, among others:

(1) to review the structure, size and composition of our Board on a regular basis and make recommendations to our Board regarding any proposed changes to the composition of our Board;

Corporate Governance Report (Continued)

(2) to identify, select or make recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; and

(3) to assess the independence of our independent non-executive Directors and make recommendations to our Board on relevant matters relating to the appointment, reappointment and removal of our Directors and succession planning of our Directors.

As at the date of this report, the Nomination Committee consists of three members, namely Mr. Sun Jie, an executive Director, and Mr. Song Baocheng and Ms. Tong Yan, independent non-executive Directors. Mr. Sun Jie served as the chairman of the Nomination Committee.

During the year ended 31 December 2023, the Nomination Committee held three meetings to review matters relating to the structure, size, composition and diversity of the Board and the nomination policy (which includes the nomination procedures and the process and criteria to select and recommend candidates for directorship), diversity policy and independence of independent non-executive Directors and review and propose candidates for Directors and general manager of the Company.

FINANCIAL REPORTING SYSTEM, RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The Board, with the support of the finance department, is responsible for the preparation of financial statements of the Group. In preparation of the financial statements, the Group adopted HKFRS and consistently used and applied appropriate accounting policies. The purpose of the Board is to make a clear and balanced assessment of the Group's results in its annual and interim reports to the Shareholders, and to make appropriate disclosures and announcements in a timely manner. Under code provision D.1.1 of the Corporate Governance Code, the management will provide explanations and necessary information to the Board to enable it to make an informed assessment of financial and other information submitted to the Board for approval.

The scope of work and reporting responsibilities of Grant Thornton Hong Kong Limited, the Company's external auditor, are set out in the "Independent Auditor's Report" of this report.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS

The Board acknowledges its overall responsibility for maintaining appropriate and effective risk management and internal control systems of the Group on an ongoing basis and reviewing their effectiveness at least once annually.

The Board and senior management are responsible for establishing, reviewing and implementing the Group's risk management and internal control systems. The internal control system covers all major aspects of the Group's operations, including sales, procurement, financial reporting, asset management, and budget and accounting processes. The Group's risk management and internal control systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable but not absolute assurance against material misstatement or loss. The Group also has internal audit and risk control functions, which mainly analyse and independently evaluate the adequacy and effectiveness of risk management and internal control systems, and report its findings to the senior management at least once annually.

Regarding the Group's risk management and internal control measures, the Group has formulated a comprehensive set of policies and guidelines, which detail all aspects of internal control standards, processes used to identify, evaluate and manage significant risks, division of responsibilities, approval procedures, and personnel accountability. The Group has implemented procedures and internal controls to process and disclose inside information. In particular, the Group:

— has handled in strict accordance with the disclosure requirements of the Listing Rules and the Inside Information Disclosure Guidelines issued by the Securities and Futures Commission of Hong Kong in June 2012;

— has established its own disclosure obligation procedures that set out procedures and controls for assessing potential internal information and for processing and disseminating internal information;

— has established the "whistleblowing management measures" to allow employees or third parties to report to the Audit Committee suspected or actual serious misconduct related to the Group, its employees and other stakeholders who may be affected by such misconduct;

— the procedures have been communicated to the Company's senior management and employees and the Company monitors its implementation; and

— made extensive, non-exclusive information disclosure to the public in financial reports, announcements and through channels such as websites.

For the year ended 31 December 2023, the Board reviewed the relevant risk management and internal control systems. Details are as follows:

(1) reviewed the function of internal audit of the Group;

(2) confirmed that the risk management and internal control systems were reviewed on an annual basis. This review covered the period from 1 January 2023 to 31 December 2023; and

(3) considered the work report on the Company's internal control and risk management made by the risk control and legal affairs centre and audit department of the Company. Upon review, the Board was of the view that the Company's internal control and risk management systems were effective and sufficient.

The risk management and internal control systems are continuously reviewed and evaluated by the Audit Committee and executive Directors, and will be further reviewed and evaluated by the Board at least once annually, covering all material controls, including financial, operational and compliance controls. During the year ended 31 December 2023, the Board, through the Audit Committee, reviewed the Company's internal control and risk management systems and considered the systems to be effective and adequate.

AUDITOR' S REMUNERATION

The Audit Committee is responsible for reviewing and supervising independence of auditors and objectiveness and effectiveness of audit procedures. The Audit Committee receives letters from the auditors, confirms their independence and objectiveness, and holds meetings with the auditors for the purpose of consideration of the audit scope offered by them, and consideration of and approval for the fees charged by them and the scope and appropriateness of non-audit services (if any). The Audit Committee also advises the Board on appointment and retention of independent auditors.

Corporate Governance Report (Continued)

Grant Thornton Hong Kong Limited was appointed as auditors of the Company to hold office until the conclusion of the 2023 annual general meeting. The remuneration paid or payable for audit services and non-audit services (consulting services) of Grant Thornton Hong Kong Limited for the year ended 31 December 2023 is as follows:

Remuneration paid or payable	For the year ended December 31 **2023** ***RMB millions***	 2022 *RMB millions*
Audit services	**2.08**	1.84
Non-audit services	**0.58**	0.52
	2.66	2.36

JOINT COMPANY SECRETARIES

As at the date of this report, Mr. Chen Xi ("**Mr. Chen**") and Ms. Ho Wing Nga act as joint company secretaries. As Mr. Chen did not possess the qualifications as required under Rule 3.28 and Rule 8.17 of the Listing Rules at the time of listing of the Company, the Company has applied to the Stock Exchange before the listing and was granted the waiver from strict compliance with such rules. As confirmed by the Stock Exchange in July 2023, upon expiration of the waiver period, Mr. Chen is qualified to act as the company secretary of the Company under Rule 3.28 and Rule 8.17 of the Listing Rules. Ms. Ho Wing Nga is the Managing Director of the Corporate Governance and Compliance Department of Computershare Hong Kong Development Limited, a corporate services provider. For the year ended 31 December 2023, Ms. Ho Wing Nga and Mr. Chen Xi have conducted and received at least 15 hours of continuous professional learning and training to update their skills and knowledge.

SHAREHOLDERS' RIGHT

The Company treats all Shareholders equally with an aim to ensure that their rights can be fully exercised and their legitimate interests can be safeguarded and that the Shareholders' general meeting can be convened and held in strict compliance with the relevant laws and regulations. The Company's corporate governance structure is to ensure that all Shareholders, especially the minority Shareholders, can enjoy equal benefits and undertake corresponding responsibilities.

CONVENING EXTRAORDINARY GENERAL MEETING

Pursuant to the Articles of Association, the Board may convene an extraordinary general meeting as it thinks fit. Shareholders requisitioning extraordinary general meetings or class meetings shall abide by the following procedures:

(i) a Shareholder alone or Shareholders together holding over ten percent of the Shares shall have the right to make a request to the Board in writing to convene an extraordinary general meeting. The Board shall give a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receiving the request in accordance with the laws, administrative regulations and the Articles of Association.

(ii) if the Board agrees to convene an extraordinary general meeting, a notice for convening such meeting shall be issued within five (5) days after the date of the resolution of the Board and any changes to the original request contained in the notice shall be subject to the approval of relevant Shareholders.

(iii) if the Board does not agree to convene an extraordinary general meeting, or fails to give a response within ten (10) days after the receipt of the request, the Shareholder alone or Shareholders together holding over ten percent of the Shares shall have the right to propose to the Supervisory Committee in writing to convene an extraordinary general meeting.

(iv) if the Supervisory Committee agrees to convene the extraordinary general meeting, it shall issue a notice of convening the general meeting within five (5) days upon receipt of the request. Any changes made to the original request in the notice requires the consent of the relevant Shareholders.

(v) if the Supervisory Committee fails to issue a notice calling the general meeting by the prescribed deadline, it will be deemed that the Supervisory Committee disagrees to convene and preside over the general meeting, and a Shareholder alone or Shareholders together holding at least ten percent of the Shares for at least ninety (90) days in succession may himself/herself/themselves convene and preside over such meeting.

INVESTOR RELATIONS

The Group is committed to maintaining stable and constructive communication with Shareholders and investors, adheres to the principles of integrity, standards and high transparency, and discloses relevant information in compliance with requirements under the Listing Rules. The Group disseminates information to Shareholders in the following manner:

(1) delivering results and reports to all Shareholders.

(2) publishing announcements on the disclosure website designated by the Stock Exchange and the website of the Company and despatching circulars for Shareholders as required under the Listing Rules; investors are enabled to access the Company's particulars, statutory announcements, and annual reports, interim reports, circulars and announcements published since its Listing on the website of the Company, which can be found in the column headed "Investor Relations" on the website.

(3) holding annual general meetings and extraordinary general meetings as an effective communication channel between the Board and Shareholders.

(4) the investor relations department of the Company takes charge of liaison with investors and analysts by answering their questions, organising field trips to the office premises and/or project sites of the Group, collecting and gathering opinions and recommendations from analysts and investors on the operation of the Group in a timely manner, and considering and adopting them in the course of the Group's operation according to actual conditions.

(5) communicating proactively with various parties, especially holding briefing sessions, press conferences and one-on-one meetings with institutional investors upon publication of results and material investments.

Corporate Governance Report (Continued)

For the year ended 31 December 2023, the Board reviewed the shareholders' communication policy. Details are as follows:

(1) reviewed the Group's implementation of the shareholders' communication policy;

(2) confirmed that the shareholders' communication policy was reviewed on an annual basis. This review covered the period from 1 January 2023 to 31 December 2023; and

(3) considered the work report on the Company's shareholders' communication policy. Upon review, the Board was of the view that the Company's shareholders' communication policy were effective and sufficient.

PUTTING FORWARD RESOLUTIONS AT GENERAL MEETINGS

According to the Articles of Association, a Shareholder alone or Shareholders together holding at least 3 percent of the Shares shall be entitled to propose motions to the Company in writing 10 days prior to the date of a general meeting. The Company shall issue a supplemental announcement of shareholders' general meeting within two days after the receipt of a proposal and submit such interim proposal to the shareholders' general meeting for consideration and approval. The contents of such interim proposal shall fall within the scope of the functions and powers of the general meeting, and clearly set out a topic to be discussed and specific matters for resolution.

ENQUIRIES TO THE BOARD

The Company maintains a website at www.jrjlife.com, where information of the Company's businesses and projects, key corporate governance policies and announcements, financial reports and other information are available for public access. Shareholders and investors may send written enquiries or requests to the Company by the following ways:

Address: 24/F, Xihuan Plaza Tower 2, 1 Xizhimenwai Avenue, Xicheng District, Beijing, the PRC

Tel: +86 10 6621 5866

Email: ir@fsig.com.cn

As regards matters concerning nominating candidate(s) for election as a Director(s) by Shareholders and specific matters concerning Shareholder communications, the procedures of nominating Director candidate by relevant Shareholders and the Shareholder communications policies are available on the website of the Company.

THE ARTICLES OF ASSOCIATION

The 2022 annual general meeting of the Company was held on 8 June 2023 to amend Articles 58 and 90 of the Articles of Association. The amendments are mainly to bring the existing Articles of Association in line with the requirements under the Listing Rules including the core shareholder protection standards set out in Appendix 3 to the Listing Rules (which has been revised as Appendix A1 of the Listing Rules with effect from 31 December 2023).

Save as aforesaid, there were no changes in the Articles of Association for the year ended 31 December 2023 and up to the date of this report. The Articles of Association are available on the Company's website and the Stock Exchange's website.

Report of Directors

The Board is pleased to present the report of Directors and audited consolidated financial statements of the Group for the year ended 31 December 2023.

PRINCIPAL BUSINESS

The Company and its subsidiaries are principally engaged in property management services and related services.

COMPANY INFORMATION

The Company was established in the PRC on 20 May 1994 and converted into joint stock company with limited liability. The Company's H Shares were listed on the Main Board of the Stock Exchange on 6 July 2020. Details of the Company's information are set out on pages 2 to 3 of this report.

RESULTS AND OVERALL PERFORMANCE

The Group's results for the year ended 31 December 2023 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income in this report.

BUSINESS REVIEW

The Group's business review, including the discussion on the major risk exposure and uncertainties facing the Group and the potential business development course of the Group in the future, is set out in the sections headed "Report of Directors" and "Management Discussion and Analysis".

"Management Discussion and Analysis" in this annual report contains part of the analysis on the Group's annual performance using key financial performance indicators. For explanations on the major relations between the Company and its employees, customers and suppliers, please refer to the sections headed "Management Discussion and Analysis — Employees and Benefit Policies" and "Report of Directors — Major Customers and Suppliers" in this report.

These discussions form part of the Report of Directors.

POTENTIAL RISKS AND UNCERTAINTIES FACED BY THE COMPANY

The Company is principally engaged in property management service business in mainland China. The property management industry is closely related to China's macroeconomic development and real estate industry. The Company may be affected by the uncertainties of the aforementioned external factors.

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 PRC laws and regulations. Further details of the Group's environmental policies and performance will be disclosed in the environmental, social and governance report of the Company for the year ended 31 December 2023 published at the same time as the publication of this report in accordance with the Listing Rules.

FINAL DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.173 per share (before tax) for the year ended 31 December 2023, with a dividend payout ratio of approximately 50.44%, in cash. The dividend distribution plan shall be subject to the approval of the shareholders of the Company (the "**Shareholders**") at the 2023 AGM to be held on Thursday, 6 June 2024 and such dividend is expected to be paid on or before Monday, 5 August 2024. The proposed final dividend will be declared in Renminbi and paid in Hong Kong dollars (for H Shares) and Renminbi (for domestic shares), the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People's Bank of China one calendar week prior to the 2023 AGM.

As at the date of this report, there was no arrangement under which a Shareholder has waived or agreed to waive any dividends.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company (the "**Register of Members**") will be closed as appropriate, the details of which are set out below:

For determining the entitlement to attend, speak and vote at the AGM

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2023 AGM (and any adjourned meeting thereof), the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of the Shares will be registered. In order for the H Shareholders to qualify for attending and voting at the 2023 AGM, all duly completed share transfer forms together with the relevant H Share certificates shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2024.

Report of Directors (Continued)

For determining the entitlement to the 2023 proposed final dividend

For determining the entitlement to the 2023 proposed final dividend (subject to the approval of the Shareholders at the forthcoming annual general meeting), the register of members of the Company will be closed from Thursday, 20 June 2024 to Monday, 24 June 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the 2023 proposed final dividend, the holders of H Shares whose transfer documents have not been registered are required to deposit all duly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 June 2024.

DIVIDEND TAX

According to the Law on Enterprise Income Tax of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008 and amended on 24 February 2017 and 29 December 2018, respectively, and its implementing rules, the Notice on the Issues Concerning Withholding and Paying Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold and pay 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise Shareholders whose names appear on the Register of Members of H Shares, i.e. any Shareholders who hold H Shares in the name of non-individual Shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or holders of H Shares registered in the name of other organisations and groups. After receiving dividends, the non-resident enterprises Shareholders may apply to the competent tax authorities for enjoying treatment of tax treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such tax treaties (arrangement). After having verified that there is no error, the competent tax authorities shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant tax treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Nonresident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納税人享受税收協議待遇管理辦法》(國家税務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

BORROWINGS

For the year ended 31 December 2023, the Group had no borrowings.

SHARE CAPITAL

As at 31 December 2023, the total share capital of the Company was 373,500,000 shares, divided into 270,000,000 Shares (domestic Shares) and 103,500,000 shares (H Shares) with a par value of RMB1.00 each. During the year ended 31 December 2023, no new shares have been issued by the Company for cash or otherwise. Details of the movements in the share capital of the Company for the year ended 31 December 2023 are set out in Note 27 to the consolidated financial statements.

RESERVES

Details of the movements in the reserves of the Company for the year ended 31 December 2023 are set out on in Note 35 to the consolidated financial statements. For the purpose of the Company, the reserves available for distribution as at 31 December 2023 amounted to RMB221.63 million.

CHARITABLE DONATIONS

For the year ended 31 December 2023, the Group had no charitable donations.

Report of Directors (Continued)

FINANCIAL STATEMENTS

The results of the Group for the year ended 31 December 2023 and its financial position as at 31 December 2023 are set out in the consolidated financial statements on pages 81 to 179 of this report.

DIRECTORS AND SUPERVISORS

For the year ended 31 December 2023 and up to the date of this report, the Directors and supervisors are as follows:

Name of Director	Position
Mr. Sun Jie (孫杰) *(chairman)*	Executive Director
Mr. Song Ronghua (宋榮華) *(general manager)* (appointed on 7 December 2023)	Executive Director
Ms. Xue Rui (薛蕊)	Executive Director
Ms. Hu Yuxia (胡玉霞) (appointed on 8 June 2023)	Non-executive Director
Mr. Shen Mingsong (沈明松) (resigned on 8 June 2023)	Non-executive Director
Mr. Liang Jianping (梁建平) (resigned on 7 December 2023)	Non-executive Director
Mr. Li Liang (李亮)	Non-executive Director
Ms. Zhao Lu (趙璐)	Non-executive Director
Mr. Song Baocheng (宋寶程)	Independent non-executive Director
Ms. Tong Yan (佟岩)	Independent non-executive Director
Ms. Lu Qing (陸晴)	Independent non-executive Director

Name of Supervisor	Position
Mr. Liu Anpeng (劉安鵬)	Chairman of Supervisory Committee, Shareholder representative Supervisor
Ms. Gao Minghui (高明慧)	Shareholder representative Supervisor
Ms. Lyu Min (呂敏)	Employee representative Supervisor

The Company has received an annual confirmation of independence from each of the independent non-executive Directors pursuant to Rule 3.13 of the Listing Rules, and considers all the independent non-executive Directors to be independent as at the date of this report.

DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

Each of the Directors and Supervisors has entered into a service contract with the Company and the principal particulars of the service contracts of our Directors and supervisors are: (a) each of the contracts is for a term until 8 June 2025 following their respective appointment dates; and (b) each of the contracts will be terminated upon the expiry of a session term of the Directors and Supervisors. The term of each session of the Board and Supervisory Committee is three years, and the Directors and Supervisors may be eligible for re-election and re-appointment upon expiry of their term. The service contracts may be renewed in accordance with the Articles of Association and applicable rules.

Save as disclosed above, none of the Directors or the Supervisors has a service contract which is not determinable by the Company within one year without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

For the year ended 31 December 2023, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in any business which is required to be disclosed under Rule 8.10 of the Listing Rules for competing or being likely to compete with the business of the Group. The independent non-executive Directors were not aware of any violation of such commitment.

SHARE SCHEME

As at the date of this report, the Company had no share scheme as defined and applicable under Chapter 17 of the Listing Rules.

INTERESTS AND SHORT POSITIONS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY

As at 31 December 2023, the interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the laws of the Hong Kong) (the "**SFO**")) of the Directors, Supervisors and senior management of the Company which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO) or which were required, under Section 352 of the SFO, to be entered in the register referred to in that section, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code were as follows:

Directors', supervisors' and chief executives' interests in associated corporations of the Company

Save as disclosed below, as at 31 December 2023, the Company had not been notified by any entities/persons (other than the Directors, Supervisors and chief executive) who had interests or short positions in the shares or underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the SFO) which would fall to be disclosed to the Company under the provisions of Divisions 7 and 8 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Report of Directors (Continued)

Save as disclosed below, during the twelve months ended 31 December 2023, none of the Directors (including their spouses and children under the age of 18) had any interests in or was granted any right to subscribe for the securities of the Company or its associated corporations (within the meaning of Part XV of the SFO), or had exercised any such rights.

Name of Director	Name of associated corporation	Capacity	Number of shares held/ interested	Percentage of interest in associated corporation as at 31 December 2023
Li Liang	Financial Street Holdings Co., Ltd.	Beneficial owner	27,000 (L)	0.00(Note 2)

Notes:

1. The letter "L" denotes the person's long position in the shares.

2. The approximate percentage of interests in the issued share capital of Financial Street Holdings Co., Ltd. is based on a total of 2,988,929,907 issued shares of Financial Street Holdings Co., Ltd. as at 31 December 2023.

INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS AND OTHER PERSONS IN THE SHARES AND UNDERLYING SHARES OF THE COMPANY

On 31 December 2023, so far as is known to the Directors, the following persons had an interest and/or short position in the Shares and underlying Shares which will be required to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO, and as recorded in the register required to be kept pursuant to section 336 of the SFO:

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ Underlying Shares Held (share)(note 1)	Percentage of Relevant Class of Shares (%)(note2)	Percentage of Total Shares (%)(note3)
Beijing Huarong Zonghe Investment Co., Ltd. (北京華融綜合投資有限公司)	Domestic Shares	Beneficial owner	128,299,270(L)	47.52	34.35
Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資 (集團) 有限公司) (note 4)	Domestic Shares	Interest in a controlled corporation	128,299,270(L)	47.52	34.35
Beijing Financial Street Capital Operation Group Co., Ltd. (北京金融街資本運營集團有限公司) (note 4)	Domestic Shares	Interest in a controlled corporation	128,299,270(L)	47.52	34.35
Beijing Tiantai Real Estate Co., Ltd. (北京天泰置業有限公司)	Domestic Shares	Beneficial owner	79,620,438(L)	29.49	21.32
China Life Real Estate Investment Management Company Limited (國壽不動產投資管理有限公司)(note 5)	Domestic Shares	Interest in a controlled corporation	79,620,438(L)	29.49	21.32
China Life Investment Management Company Limited (國壽投資保險資產管理有限公司)(note 5)	Domestic Shares	Interest in a controlled corporation	79,620,438(L)	29.49	21.32
China Life Insurance (Group) Company (中國人壽保險(集團)公司)(note 5)	Domestic Shares	Interest in a controlled corporation	79,620,438(L)	29.49	21.32
Beijing Rongxin Hetai Enterprise Management Co., Ltd. (北京融信合泰企業管理股份有限公司)	Domestic Shares	Beneficial owner	62,080,292(L)	22.99	16.62
Find Jade Limited (得翠有限公司)	H Shares	Beneficial owner	5,243,000(L)	5.07	1.40
Kowloon Development Company Limited (九龍建業有限公司)(note 6)	H Shares	Interest in a controlled corporation	5,243,000(L)	5.07	1.40
Intellinsight Holdings Limited(note 6)	H Shares	Interest in a controlled corporation	5,243,000(L)	5.07	1.40
New Explorer Developments Limited(note 6)	H Shares	Interest in a controlled corporation	5,243,000(L)	5.07	1.40

Report of Directors (Continued)

Name of Shareholders	Class of Shares	Capacity	Number of Shares/ Underlying Shares Held (share)(note 1)	Percentage of Relevant Class of Shares (%)(note2)	Percentage of Total Shares (%)(note3)
Mr. Or Wai Sheun (柯為湘)(note 6)	H Shares	Interest in a controlled corporation	5,243,000(L)	5.07	1.40
UBS Asset Management (Hong Kong) Ltd(note 7)	H Shares	Investment manager	6,292,000(L)	6.08	1.68
UBS Group AG(note 8)	H Shares	Interest in a controlled corporation	17,387,999(L) 5,816,000(S)	16.80(L) 5.62(S)	4.66(L) 1.56(S)
Barings LLC(note 9)	H Shares	Investment manager	6,972,000(L)	6.73	1.87
Northern Trust Fiduciary Services (Ireland) Limited(note 10)	H Shares	Trustee	6,705,000(L)	6.47	1.80
FIL Limited(note 11)	H Shares	Interest in a controlled corporation	10,350,000(L)	10.00	2.77
Pandanus Partners L.P.(note 11)	H Shares	Interest in a controlled corporation	10,350,000(L)	10.00	2.77
Pandanus Associates Inc.(note 11)	H Shares	Interest in a controlled corporation	10,350,000(L)	10.00	2.77
FIDELITY FUNDS(note 12)	H Shares	Beneficial owner	5,532,000(L)	5.34	1.48

Notes:

1. The letter “L” denotes the person’s long position in the Shares, and the letter “S” denotes the person’s short position in the Shares.

2. The calculation is based on 270,000,000 Domestic Shares or 103,500,000 H Shares issued by the Company as of 31 December 2023.

3. The calculation is based on the total number of 373,500,000 Shares issued by the Company as of 31 December 2023.

4. Beijing Huarong Zonghe Investment Co., Ltd. ("**Huarong Zonghe**") is a direct Shareholder.

    (a) 100% of the equity interests in Huarong Zonghe is held by Beijing Financial Street Investment (Group) Co., Ltd. ("**Financial Street Group**"), which is in turn owned as to 37.94% by Xicheng SASAC and 62.06% by Beijing Financial Street Capital Operation Group Co., Ltd. (formerly known as Beijing Financial Street Capital Operation Centre) ("**Financial Street Capital**"), which itself is wholly-owned by Xicheng SASAC.

    (Note: On 29 December 2020, Financial Street Group received the Xicaiqi [2020] No. 507 Notice on the Transfer of Certain State-owned Equity Interests in Beijing Financial Street Investment (Group) Co., Ltd. between Beijing Municipal Bureau of Finance, Beijing Xicheng District Human Resources and Social Security Bureau and the State-owned Assets Supervision and Administration Commission of Xicheng District People's Government of Beijing Xicheng District, which was forwarded by SASAC Xicheng District, and required to transfer part of the 10% equity interests in Financial Street Group held by SASAC Xicheng District to Beijing Municipal Bureau of Finance at nil consideration, with the transfer benchmark date being 31 December 2019, and complete the equity transfer procedures such as the change of state-owned property rights registration before 30 December 2020. In accordance with the requirements of the Notice, Financial Street Group has completed the registration procedures for the change of state-owned property rights on 30 December 2020. However, as at the date of this report and to the best of the Company's knowledge, information and belief, having made all reasonable enquiries, the general meeting of Financial Street Group has not yet issued a resolution and has not yet completed the procedures for the change of industrial and commercial registration.)

    (b) By virtue of the SFO, Financial Street Group and Financial Street Capital are each deemed to be interested in the Shares held by Huarong Zonghe.

5. Beijing Tiantai Real Estate Co., Ltd. ("**Tiantai Real Estate**") is a direct Shareholder.

    (a) 100% of the equity interests in Tiantai Real Estate is held by China Life Real Estate Investment Management Company Limited ("**China Life Real Estate**"), which is in turn wholly-owned by China Life Investment Management Company Limited ((國壽投資保險資產管理有限公司), which is wholly-owned by China Life Insurance (Group) Company (中國人壽保險(集團)公司), which is wholly-owned by the Ministry of Finance of the PRC.

    (b) By virtue of the SFO, China Life Real Estate, China Life Investment Management Company Limited ((國壽投資保險資產管理有限公司) and China Life Insurance (Group) Company (中國人壽保險(集團)公司) are each deemed to be interested in the Shares held by Tiantai Real Estate.

6. Find Jade Limited is wholly-owned by Kowloon Development Company Limited; Intellinsight Holdings Limited holds 70.63% shares of Kowloon Development Company Limited; Intellinsight Holdings Limited is wholly-owned by New Explorer Developments Limited; and New Explorer Developments Limited is wholly-owned by Mr. Or Wai Sheun. Therefore, each of Mr. Or Wai Sheun, New Explorer Developments Limited, Intellinsight Holdings Limited and Kowloon Development Company Limited is deemed to have an interest in the Shares held by Find Jade Limited pursuant to the SFO.

7. In the capacity of investment adviser of Nineteen77 Global Multi-Strategy Alpha Master Limited and on behalf of Nineteen77 Global Multi-Strategy Alpha Master Limited.

Report of Directors (Continued)

8. Based on the disclosure of interests form submitted by UBS Group AG on 4 December 2023 (the date of the relevant event set out in the form was 29 November 2023), these shares comprised (i) 8,504,000 shares (long position) held through UBS O'Connor LLC; (ii) 7,773,000 shares (long position) and 5,816,000 shares (short position) held through UBS AG; and (iii) 1,110,999 shares (long position) held through UBS Switzerland AG.

9. Based on the disclosure of interests form submitted by Barings LLC. on 15 September 2021 (the date of the relevant event set out in the form was 13 September 2021), these Shares were held in the capacity of investment manager through Baring Asset Management (Asia) Holdings Limited.

10. Northern Trust Fiduciary Services (Ireland) Limited is the trustee of Barings Hong Kong China Fund's trust.

11. Based on the disclosure of interests form submitted on 4 March 2022 (the date of the relevant event set out in the form was 1 March 2022), these shares were held via FIL Investment Management (Singapore) Limited. The 10,350,000 H shares (long position) held by FIL Limited, Pandanus Associates Inc. and Pandanus Partners L.P. were held in the capacity as interests of controlled corporations.

12. Based on the disclosure of interests form submitted by FIDELITY FUNDS on 1 March 2022 (the date of the relevant event set out in the form was 24 February 2022), FIDELITY FUNDS is the beneficial owner of these Shares.

Save as disclosed above, the Company is not aware that as at 31 December 2023, any other person had any interests or short positions in the Shares and underlying Shares, which is required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which is required to be entered in the register maintained by the Company under section 336 of the SFO.

ARRANGEMENT TO PURCHASE EQUITY OR DEBT SECURITIES

As at 31 December 2023, none of the Company, its holding company, or any of its subsidiaries was a party to any arrangement enabling the Directors to acquire benefits by means of the acquisition of equity or debt securities, including the debentures of the Company or any other body corporate.

DIRECTORS' AND SUPERVISORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

As at any time to 31 December 2023, save as disclosed in this report, there was no transaction, arrangement or contract of significance, to which the Company, its holding company or subsidiary was a party, and in which the Directors and the Supervisors or their respective connected entities were materially interested, either directly or indirectly.

SIGNIFICANT CONTRACTS

As at 31 December 2023, save as disclosed in the sections headed "Continuing Connected Transactions" and "Related Party Transactions" below, there was no significant contract relating to the business of the Group between the Company (or any of its subsidiaries) and the Controlling Shareholder(s) (or any of its/their subsidiaries), nor was there any significant contract for the provision of services by the controlling Shareholder(s) (or any of its/their subsidiaries) to the Company (or any of its subsidiaries).

MAJOR CUSTOMERS AND SUPPLIERS

For the year ended 31 December 2023, the revenue attributable to the Group's largest customer, and five largest customers in aggregate, represented approximately 9.48% and 25.79% of the Group's total annual revenue, respectively.

For the year ended 31 December 2023, purchases attributable to the Group's largest supplier and the five largest suppliers in aggregate, represented approximately 9.99% and 23.69% of the Group's total annual purchases, respectively.

Except for the Controlling Shareholders' interests in Financial Street Affiliates Group, one of the five largest customers of the Group, for the year ended 31 December 2023, none of the other Directors, supervisors, their respective associates or other Shareholders (to the knowledge of the Directors, who are interested in more than 5% of the issued shares of the Company) had any interests in the five largest suppliers or customers of the Group.

SIGNIFICANT RELATIONSHIPS WITH STAKEHOLDERS

The Group values its employees and is committed to providing them with good working environment. The Group is able to maintain staff stability through the implementation of a number of policies relating to labour management. For details, please refer to the "Management Discussion and Analysis — Employees and Benefits Policies" section of this report.

The Group recognises the importance of maintaining a good relationship with its customers and providing property information in response to their needs and requests. The Group fosters interactive relationships with its customers to gain insight into the changing needs of the property market and to respond quickly.

The Group is also committed to establishing good relationships with developers and shareholders of joint ventures to ensure the stability of the Group's business through long-term business partnerships.

CONTINUING CONNECTED TRANSACTIONS

According to the disclosure requirements under Chapter 14A of the Listing Rules, the following transactions have been entered into and/or continued between certain connected persons (as defined under the Listing Rules) and the Company with the following relevant disclosures made by the Company in accordance with the Listing Rules:

1. Leasing Framework Agreement

   On 10 February 2020, a leasing framework agreement was entered into between the Company and Financial Street Group (the "**Leasing Framework Agreement**") for a term from the date of listing to 31 December 2022, pursuant to which we may lease the real property (currently consisting of office properties, retail properties and carparks) held by Financial Street Group, our controlling Shareholder and a connected person of our Company, and its associates. Pursuant to the Leasing Framework Agreement, the related subsidiaries and associates of both parties shall enter into separate leasing agreements, and such agreements shall contain specific terms and conditions. The rent payable by us under the Leasing Framework Agreement will be determined after arm's length negotiation by reference to the prevailing market rentals of properties of similar nature located in similar areas, and shall be not worse than those offered by independent third parties.

Report of Directors (Continued)

On 11 November 2022, the Company entered into the 2023 Leasing Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Leasing Framework Agreement, and the annual caps under such framework agreement were approved at the extraordinary general meeting of the Company held on 9 January 2023.

The Directors estimate that, for each of the two years ending 31 December 2025, the caps under the 2023 Leasing Framework Agreement will be RMB86.7 million and RMB100.7 million in relation to the right-of-use assets; and RMB34.0 million and RMB49.7 million in relation to other payments, respectively.

For the year ended 31 December 2023, the Group had right-of-use assets amounting to RMB12.77 million and other payments amounting to RMB4.16 million under the 2023 Leasing Framework Agreement, which did not exceed the annual caps of RMB69.7 million for right-of-use assets and RMB22.0 million for other payments for 2023.

2. Property Management Services Framework Agreement

On 10 February 2020, the Company entered into a services framework agreement (as supplemented by the supplemental agreement dated 10 June 2020) (the "**Property Management Services Framework Agreement**") with Financial Street Group, our controlling Shareholder, with a term from the Listing to 31 December 2023, pursuant to which the Company, either directly, or indirectly through subsidiaries, agreed to provide property management services and related services ("**Property Management Services**") to Financial Street Group and its associates with respect to the following types of properties:

(i) properties owned by, or with respect to which Financial Street Group and its associates have the right of use; and

(ii) properties already developed by Financial Street Group and its associates but unsold, or properties already developed and sold but undelivered by Financial Street Group and its associates.

The property management fees to be charged pursuant to the Property Management Services Framework Agreement shall be determined after arm's length negotiations taking into account the location of the projects, the expected operational costs (including, amongst others, labour costs, material costs and administrative costs) with reference to the property management fees for similar services and similar types of projects in the market. The property management fees shall be on normal commercial terms, and at prices no more favourable than those provided to our customers who are independent third parties.

On 11 November 2022, the Company entered into the 2023 Property Management Services Framework Agreement with Financial Street Group for a term from 1 January 2023 to 31 December 2025 to renew the Property Management Services Framework Agreement, and the annual caps under such framework agreement were approved at the extraordinary general meeting of the Company held on 9 January 2023.

The Directors estimate that the maximum annual fee payable by Financial Street Group and its associates to the Group in relation to 2023 Property Management Services to be provided by our Group under the Property Management Services Framework Agreement for each of the two years ending 31 December 2025 will not exceed RMB455.4 million and RMB505.4 million, respectively.

The total amount of the fee payable by Financial Street Group and its associates to our Group in relation to the Property Management Services provided by our Group under the Property Management Services Framework Agreement for the year ended 31 December 2023 was approximately RMB180.30 million, which did not exceed the annual cap of RMB431.8 million for the year of 2023.

3. Deposit Service Framework Agreement

On 26 March 2021, the Company entered into a deposit service framework agreement ("**Deposit Service Framework Agreement**") with Beijing Financial Street Group Finance Company Limited (北京金融街集團財務有限公司) ("**FS Finance**"), pursuant to which FS Finance will provide deposit services to the Group for a term commencing from the effective date (i.e. 24 June 2021) to 31 December 2023.

On 11 November 2022, the Company entered into the 2023 Deposit Service Framework Agreement with FS Finance, superseding the Deposit Service Framework Agreement for its remaining term, for a term from 1 January 2023 to 31 December 2025. FS Finance is a wholly-owned subsidiary of Financial Street Group, and is therefore a connected person of the Company. Established in June 2015 with the approval of China Banking Regulatory Commission Beijing Regulatory Bureau (中國銀行業監督管理委員會北京監管局), FS Finance is a non-bank financial institution (非銀行金融機構) which provides deposit management services to members of Financial Street Affiliates Group. FS Finance is subject to a number of regulatory requirements and guidelines issued by regulatory authorities in the PRC, including but not limited to the People's Bank of China, State Administration for Market Regulation and the China Banking and Insurance Regulatory Commission.

The maximum daily balance of deposits that the Group intends to place with FS Finance for each of the three years ending 31 December 2025 is capped at RMB1,000 million. The maximum interest income that the Group may receive from FS Finance for each of the three years ending 31 December 2025 is capped at RMB10.4 million.

For the year ended 31 December 2023, the maximum daily deposit balance the Company deposited with FS Finance pursuant to the Deposit Service Framework Agreement was approximately RMB367.98 million which did not exceed the cap of RMB1,000 million.

For the year ended 31 December 2023, the maximum interest income received from FS Finance pursuant to the Deposit Service Framework Agreement was RMB5.07 million which did not exceed the cap of RMB10.4 million.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY INDEPENDENT NON-EXECUTIVE DIRECTORS

Pursuant to Rule 14A.55 of the Listing Rules, all independent non-executive Directors have reviewed the continuing connected transactions and have confirmed that such continuing connected transactions were:

(1) entered into in the ordinary and usual course of business of the Group;

(2) conducted on normal commercial terms or better terms; and

(3) carried out pursuant to the agreements of relevant transactions, the terms of which are fair and reasonable, and in the interests of Shareholders and the Company as a whole.

REVIEW AND APPROVAL OF CONTINUING CONNECTED TRANSACTIONS BY THE AUDITOR

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Grant Thornton Hong Kong Limited, was engaged to report on the Group's continuing connected transactions.

Below was set out in the letter from the auditor containing their findings and conclusions of the review in respect of the disclosed continuing connected transactions:

(1) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have not been approved by the Board;

(2) as for the transactions that involve the provision of goods or services by the Group, nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not, in all material respects, in accordance with the pricing policies of the Group;

(3) nothing has come to the auditor's attention that causes the auditor to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and

(4) with respect to the aggregate amount of each of the continuing connected transactions, nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions have exceeded the annual caps as set by the Company.

RELATED PARTY TRANSACTIONS

Save as disclosed above, none of the related party transactions of our Company constitutes connected transactions or continuing connected transactions (as defined under the Listing Rules) that is subject to reporting, announcement or independent shareholders' approval requirements under Chapter 14A of the Listing Rules. Details of significant related party transactions entered into by the Group during the year ended 31 December 2023 are set out in note 37 to the consolidated financial statements.

In relation to the continuing connected transactions mentioned above, the Board confirms that the Company has complied with the disclosure requirements under the Listing Rules.

DISCLOSURE PURSUANT TO RULE 14.36B OF THE LISTING RULES

Acquisition of 70% equity interest in Top Property Services Company Limited (置佳物業服務有限公司) (the "**Target Company**")

On 21 March 2023, the Company entered into a share sale and purchase agreement with Ms. Cheng Pui Yi (the "**Vendor**") and the Target Company, pursuant to which the Vendor conditionally agreed to sell and the Company conditionally agreed to acquire (the "**Acquisition**"), 70% of the equity interests of the Target Company for a maximum total consideration of HK$154 million, subject to the terms and conditions as set out in the share sale and purchase agreement. The consideration for the Acquisition was financed by the net proceeds from the listing of the H Shares of the Company on the Stock Exchange on 6 July 2020.

On 26 July 2023, the Company received approval from the competent state-owned assets supervision and management authority for the results of the valuation of the assets of the Target Company and the conditions precedent of the share sale and purchase agreement dated 21 March 2023 in relation to the acquisition of the Target Company have been fulfilled. The parties completed the acquisition in accordance with the terms of the share sale and purchase agreement on 1 October 2023. The Target Company has then become a direct subsidiary of the Company and its financial information has been consolidated into the financial statements of the Group since 1 October 2023.

For details of the Acquisition, please refer to the announcements dated 21 March 2023, 4 May 2023, 4 July 2023 and 26 July 2023 of the Company.

The Vendor undertakes to the Company that the performance targets for the four years ended/ending 31 December 2022, 2023, 2024 and 2025 (the "**Four-Year Commitment Period**"), in accordance to the applicable accounting standards adopted by the Target Company in the respective year, are as follows:

	For the year ended/ending 31 December				
	2022 *(HK$)*	**2023** *(HK$)*	**2024** *(HK$)*	**2025** *(HK$)*	**Total** *(HK$)*
Audited revenue	127,726,200	143,478,261	165,217,391	188,695,652	625,117,504
Audited net profit excluding non-recurring gains (after tax)	15,192,183	15,579,909	19,484,369	22,203,958	72,460,419

Both the Company and the Target Company will review annually the financial performance of the Target Company against the agreed performance targets.

Report of Directors (Continued)

If the Target Company fails to meet the agreed performance targets during the four-year performance commitment period, the Company has the right to make one-off valuation adjustment which the Vendor shall pay the Purchaser in full as compensation according to the result of such calculation in the manner set out below (whichever is higher), in the following year after the expiry of the four-year performance commitment period:

(i) $$\text{Compensation amount} = \text{Total consideration} \times \frac{(\text{HK\$625,117,504} - \text{the accumulated actual revenue for 2022-2025})}{\text{HK\$625,117,504}}$$; or

(ii) $$\text{Compensation amount} = \text{Total consideration} \times \frac{(\text{HK\$72,460,419} - \text{the accumulated actual net profit excluding non-recurring gains after tax for 2022-2025})}{\text{HK\$72,460,419}}$$

The Company adopts a cumulative approach in assessing the performance of the Target Company and makes one-off valuation adjustment after the expiry of the four-year performance commitment period.

NON-COMPETITION UNDERTAKING LETTER

Regarding the non-competition undertaking letter (the "**Non-competition Undertaking Letter**") entered into between the Company and Financial Street Group on 9 June 2020, the Company confirms that:

(1) the Company has made reasonable enquiries and Financial Street Group has confirmed in writing that it has complied with the Non-competition Undertaking Letter for the year ended 31 December 2023.

(2) the independent non-executive Directors have conducted an annual review on the performance of the Non-competition Undertaking Letter, and have confirmed that the Controlling Shareholders have fully complied with the Non-competition Undertaking Letter, without any breach of the undertakings.

PRE-EMPTIVE RIGHTS AND TAX RELIEF OR EXEMPTION

As at the date of this report, there is no arrangement for pre-emptive rights in accordance with PRC laws and the Articles of Association. The Company is not aware of any tax relief or exemption available to any existing Shareholder by reason of his/her holding of the securities of the Company.

LOAN AGREEMENTS WITH COVENANTS RELATING TO SPECIFIC PERFORMANCE OF THE CONTROLLING SHAREHOLDERS

As at the date of this report, the Company did not enter into any new loan agreement, which contained any covenant relating to specific performance of the controlling shareholders and shall be disclosed as required by Rule 13.18 of the Listing Rules.

SUFFICIENCY OF PUBLIC FLOAT

As at the date of this report, based on the information publicly available to the Company and to the best knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules.

FIVE-YEAR FINANCIAL SUMMARY

Summary of the Group's results and assets and liabilities for the latest five financial years is set out in the section headed "Five-Year Financial Summary" on page 180 of this report.

PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries of the Company as at 31 December 2023 are set out in note 18 to the consolidated financial statements.

BIOGRAPHICAL DETAILS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The biographical details of the Directors, supervisors and senior management are set out under the section headed "Biographies of Directors, Supervisors and Senior Management" of this report.

PERMITTED INDEMNITY

The Group has purchased and maintained liability insurance for the Directors for the year ended 31 December 2023, which provides appropriate cover for the Directors.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities for the year ended 31 December 2023.

MANAGEMENT CONTRACT

No contract concerning management of the whole or substantial part of any business of the Company was entered into during the year ended 31 December 2023, or subsisted at the end of the year ended 31 December 2023.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed elsewhere in this annual report, there were no material events undertaken by the Group subsequent to 31 December 2023 and up to the date of this report.

RETIREMENT BENEFITS PLAN

Details of the retirement benefits plan of the Group for the relevant year are set out in notes 31 and 32 to the consolidated financial statements.

Report of Directors (Continued)

REMUNERATION OF DIRECTORS, SUPERVISORS AND FIVE HIGHEST PAID INDIVIDUALS

Details of remuneration of Directors, supervisors and five highest paid individuals for the relevant year are set out in note 15 to the consolidated financial statements.

AUDITOR

Grant Thornton Hong Kong Limited and Grant Thornton (Special General Partnership) have been appointed as the international auditor and domestic auditor of the Company for 2021, 2022 and 2023 at the annual general meeting of 2020, 2021 and 2022 of the Company, respectively, and hold office until the conclusion of the next general meeting of the Company. For further details, please refer to the announcement dated 8 June 2023 and the circular dated 25 April 2023 of the Company. There were no changes in auditor of the Company in any of the preceding three years.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been audited by Grant Thornton Hong Kong Limited and Grant Thornton (Special General Partnership). They will retire at the 2023 AGM, at which a resolution will be proposed for its re-appointment as the auditors of the Company.

ACCOUNTS REVIEW

The Audit Committee has been established in accordance with Appendix C1 to the Listing Rules, with written terms of reference. The Audit Committee is authorised by the Board to review and supervise the Company's financial reporting, risk management and internal control system, and assist the Board in performing its duties to the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023, and discussed the accounting principles and practices adopted by the Group, as well as internal controls, financial reporting and other matters, with the Group's management.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the code provisions of the Corporate Governance Code as set out in Appendix C1 to the Listing Rules as its own code of corporate governance. To the best knowledge of the Directors, save as disclosed in the section headed "Corporate Governance Report" in this report, the Company has complied with all applicable code provisions of the Corporate Governance Code for the entire period ended 31 December 2023.

COMPLIANCE WITH THE LAWS AND REGULATIONS

The Group is subject to a number of laws and regulations such as the Company Laws of the People's Republic of China (《中華人民共和國公司法》), the Civil Code of the People's Republic of China (《中華人民共和國民法典》), the Labour Law of the People's Republic of China (《中華人民共和國勞動法》), the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》), the Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》), the Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》), the Fire Protection Law of the People's Republic of China (《中華人民共和國消防法》) and the Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》), as well as the Provisions on Property Management (《物業管理條例》), the Regulations on Administration of Security Services (《保安服務管理條例》) and the Regulations on Safety Supervision of Special Equipment (《特種設備安全監察條例》), and other laws and regulations.

As far as the Board and management are aware of, the Group has complied with, in all material respects, the relevant laws and regulations which have a significant impact on the business and operation of the Group. For the year ended 31 December 2023, there was no material breach or non-compliance of the applicable laws and regulations by the Group.

ENVIRONMENTAL POLICIES AND PERFORMANCE

The Group has been actively advancing sustainable development and environmental protection, and has been positive in promoting and achieving effective utilisation of resources in our business. Laws and regulations in terms of environment and health are strictly complied with. Meanwhile, the Group holds various charity activities for environmental protection in the course of our operation to spread the idea of environmental protection to all sectors of society and create a green and bright future.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

The Group believes that promoting sustainable development is as important as achieving long-term business growth. It has therefore made continuous efforts to maintain a high degree of sustainable development in its operations. The Group will endeavour to strengthen its management's efforts to promote sustainability through good corporate governance, environmental protection, community investment and workplace practices.

To demonstrate its commitment to transparency and accountability to its stakeholders, the Company will issue an independent environmental, social and governance report in accordance with the Environmental, Social and Governance Reporting Guide under Appendix C2 to the Listing Rules. The report will present its commitment to sustainable development during the year under review, and it will cover the significant economic, environmental and social achievements and impact arising from the activities of the Group and its joint ventures.

By Order of the Board
Sun Jie
Chairman

Beijing, the PRC, 27 March 2024

Report of the Supervisory Committee

COMPOSITION OF THE SUPERVISORY COMMITTEE

In accordance with the requirements of the Articles of Association, the Supervisory Committee consists of three members, of which there are two Shareholder representative Supervisors and one employee representative Supervisor. The term of office of Supervisors shall be three years, and is renewable upon re- election after the expiry of their term.

As at the date of this report, the composition of the Supervisory Committee is as follows:

Mr. Liu Anpeng, chairman of the Supervisory Committee and Shareholder representative Supervisor
Ms. Gao Minghui, Shareholder representative Supervisor
Ms. Lyu Min, employee representative Supervisor

CHANGES IN SUPERVISORS

During 2023, there were no changes in the Supervisory of the Company.

MAJOR WORKS PERFORMED BY THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee performed its duties diligently to supervise the operation and management of the Company in a legal, proper and effective manner in accordance with relevant requirements under the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Articles of Association and the Listing Rules of the Stock Exchange, which effectively safeguarded the interests of the Shareholders and the Company.

In 2023, the Supervisory Committee held a total of 2 meetings of the Supervisory Committee, to review 6 resolutions, including the audited consolidated financial statements, annual results announcement and annual report of the Company for the year ended 31 December 2022, the unaudited consolidated financial statements, interim results and interim report of the Company for the six months ended 30 June 2023. The Supervisors carefully reviewed the meeting materials and fully studied and discussed the proposals before attending the meetings of the Supervisory Committee to earnestly perform their supervisory duties. The details of Supervisors' attendance at the meetings of the Supervisory Committee held during the 2023 are as follows:

Name of Supervisors	Number of meetings attended in person	Number of meetings attended by proxy	Number of absence	Number of Board meetings or general meetings attended in person
Liu Anpeng	2/2	0	0	5
Gao Minghui	2/2	0	0	5
Lyu Min	2/2	0	0	5

Report of the Supervisory Committee (Continued)

The Supervisory Committee supervised the operating activities of the Company, and supervised the Company in establishing a sound internal control system and a corresponding internal governance structure, and made great efforts to execute and improve the corresponding system and structure. By way of implementation of such system, it managed to avoid effectively various operating risks facing the Company.

The Supervisory Committee also inspected the detailed implementation of the financial management system of the Company and carefully reviewed the financial report of the Company. It considered the financial report of the Company to be true and reliable, and the audit opinions issued by the audit firm appointed by the Company to be objective and impartial.

The Supervisory Committee supervised the performance of duties by the Directors and senior management of the Company, and took the view that the Directors and senior management of the Company were able to diligently exercise various powers as delegated by the Shareholders and Board and carefully discharged their duties under the principles of diligence and integrity. As at the date of this report, the Directors and senior management conducted their work in strict accordance with laws and regulations, the Articles of Association and various other provisions to ensure the regulated operation of the Company, and they were not aware of any power abuse or any actions which might be detrimental to the interests of the Shareholders and the legitimate rights of employees of the Company.

The Supervisory Committee is satisfied with the operation and management work conducted and the economic benefits achieved by the Board and the management of the Company in 2023, and is fully confident in the development prospect of the Company in the future.

By Order of the Supervisory Committee
Liu Anpeng
Chairman of the Supervisory Committee

Beijing, the PRC, 27 March 2024

Independent Auditor's Report

Grant Thornton
致同

To the members of Financial Street Property Co., Limited
(incorporated in the People's Republic of China with limited liability)

OPINION

We have audited the consolidated financial statements of Financial Street Property Co., Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 81 to 179, which comprise the consolidated statement of financial position as at 31 December 2023, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

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

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Provision for expected credit losses ("ECL") allowance of trade receivables

Refer to note 4, note 23 and note 41.4 to the consolidated financial statements and the accounting policies note 2.11

The Key audit matter	How our audit addressed the key audit matter
We identified the impairment assessment of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL allowance of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management calculate the ECL of trade receivables based on internal credit ratings of debtors and their ageing, and taken into consideration the historical recovery rates, probability of default by its customers and the forward-looking information. As disclosed in note 23 to the consolidated financial statements, the carrying amount of trade receivables is approximately RMB270,618,000 as at 31 December 2023, after netting-off the ECL allowance of approximately RMB21,126,000.	We performed the following procedures in relation to ECL of trade receivables: • understanding and evaluating the management's internal control and assessment process of ECL of trade receivables and assessing the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud; • understanding and assessing management's rationale for distinguishing individual impaired and collectively impaired trade receivables; • checking the mathematical accuracy of the calculation of the ECL; • testing, on a sample basis, the accuracy of ageing analysis of trade receivables prepared by the management; • performing analytical review procedures by analysing the fluctuations of major customers' outstanding balances and trade receivable turnover days; and • evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rates, probability of default by its customers and forward-looking information, with the assistance of our internal specialists.

Independent Auditor's Report (Continued)

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises all the information in the 2023 annual report of the Company, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Independent Auditor's Report (Continued)

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

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.

Grant Thornton Hong Kong Limited
Certified Public Accountants
11th Floor, Lee Garden Two
28 Yun Ping Road
Causeway Bay
Hong Kong SAR

27 March 2024

Chiu Wing Ning
Practising Certificate No.: P04920

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
Revenue	6	**1,514,476**	1,388,189
Cost of sales and services		**(1,259,236)**	(1,139,645)
Gross profit		**255,240**	248,544
Other income	7	**5,747**	12,477
Other gain/(loss), net	8	**283**	(58,940)
Administrative expenses		**(78,366)**	(82,569)
Provision for expected credit loss ("ECL") allowance of trade receivables and other financial assets at amortised cost		**(10,059)**	(4,691)
Operating profit		**172,845**	114,821
Finance income	9	**21,885**	16,244
Finance costs	9	**(3,370)**	(3,597)
Finance income, net	9	**18,515**	12,647
Exchange (loss)/gain, net		**(194)**	62,109
Share of profit from interests in associates, net	19	**4,589**	2,969
Share of profit from interests in joint ventures, net	20	**2**	—
Profit before income tax	10	**195,757**	192,546
Income tax expense	11	**(52,216)**	(56,756)
Profit for the year		**143,541**	135,790
Profit for the year attributable to:			
Owners of the Company		**128,098**	121,112
Non-controlling interests ("NCI")		**15,443**	14,678
		143,541	135,790
Earnings per share, basic and diluted (RMB)	13	**0.343**	0.324
Other comprehensive (loss)/income			
Item that will not be reclassified subsequently to profit or loss			
Remeasurements of retirement benefit obligations		**(226)**	53
Remeasurements of long service payment ("LSP") obligations		**(81)**	—
Items that will be reclassified subsequently to profit or loss			
Exchange loss on translation of financial statements of foreign operations		**(1,057)**	—
Other comprehensive (loss)/income for the year		**(1,364)**	53
Total comprehensive income for the year		**142,177**	135,843
Total comprehensive income attributable to:			
Owners of the Company		**127,076**	121,165
NCI		**15,101**	14,678
		142,177	135,843

The notes on pages 87 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Financial Position

as at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
ASSETS			
Non-current assets			
Investment properties	16	**22,317**	19,437
Property, plant and equipment	17	**51,017**	78,935
Interests in associates	19	**16,204**	15,677
Interests in joint ventures	20	**2,552**	2,550
Goodwill	21	**81,274**	325
Intangible assets	22	**18,620**	7,968
Prepayments	24	**1,858**	634
Other financial assets at amortised cost	25	**43,816**	27,961
Deferred tax assets	30	**21,167**	16,778
Total non-current assets		**258,825**	170,265
Current assets			
Trade receivables	23	**270,618**	242,597
Prepayments	24	**19,221**	13,423
Other financial assets at amortised cost	25	**52,577**	29,721
Bank deposits with the maturity over three months	26	**115,104**	37,201
Restricted bank deposits	26	**70,356**	63,878
Cash and cash equivalents	26	**1,316,199**	1,443,945
Total current assets		**1,844,075**	1,830,765
Total assets		**2,102,900**	2,001,030

Consolidated Statement of Financial Position (Continued)

as at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000 (Restated)
EQUITY AND LIABILITIES			
Share capital	27	**373,500**	373,500
Reserves	28	**608,520**	593,014
Retained earnings		**263,804**	213,115
Equity attributable to owners of the Company		**1,245,824**	1,179,629
NCI		**57,136**	37,119
Total equity		**1,302,960**	1,216,748
Non-current liabilities			
Trade and other payables	33	**25,605**	—
Lease liabilities	29	**34,507**	51,331
Deferred tax liabilities	30	**1,192**	361
Retirement benefit obligations	31	**5,141**	5,005
LSP obligations	32	**399**	—
Total non-current liabilities		**66,844**	56,697
Current liabilities			
Trade and other payables	33	**580,495**	551,031
Contract liabilities	34	**116,992**	111,720
Current tax liabilities		**16,819**	36,017
Current portion of lease liabilities	29	**18,398**	28,475
Current portion of retirement benefit obligations	31	**338**	342
Current portion of LSP obligations	32	**54**	—
Total current liabilities		**733,096**	727,585
Total liabilities		**799,940**	784,282
Total equity and liabilities		**2,102,900**	2,001,030

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Sun Jie
Director

Song Ronghua
Director

The notes on pages 87 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2023

	Equity attributable to owners of the Company								
	Share capital *RMB'000* *(note 27)*	Capital reserve *RMB'000* *(note 28.1)*	Statutory reserve *RMB'000* *(note 28.2)*	Exchange reserve *RMB'000* *(note 28.3)*	Other reserve *RMB'000* *(note 28.4)*	Retained earnings *RMB'000*	Total *RMB'000*	NCI *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	373,500	552,615	31,735	—	(1,028)	184,908	1,141,730	22,470	1,164,200
Adjustment from the adoption of amendments to HKAS 12 *(note 3.1)*	—	—	—	—	—	(349)	(349)	(29)	(378)
Balance at 1 January 2022 (Restated)	373,500	552,615	31,735	—	(1,028)	184,559	1,141,381	22,441	1,163,822
Profit and total comprehensive income for the year	—	—	—	—	53	121,112	121,165	14,678	135,843
Dividend declared *(note 12)*	—	—	—	—	—	(82,917)	(82,917)	—	(82,917)
Appropriation of statutory reserve	—	—	9,639	—	—	(9,639)	—	—	—
Balance at 31 December 2022 and 1 January 2023 (Restated)	**373,500**	**552,615**	**41,374**	**—**	**(975)**	**213,115**	**1,179,629**	**37,119**	**1,216,748**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**(715)**	**(307)**	**128,098**	**127,076**	**15,101**	**142,177**
Dividend declared *(note 12)*	**—**	**—**	**—**	**—**	**—**	**(60,881)**	**(60,881)**	**(20,726)**	**(81,607)**
Acquisition of a subsidiary *(note 38)*	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**25,642**	**25,642**
Appropriation of statutory reserve	**—**	**—**	**16,528**	**—**	**—**	**(16,528)**	**—**	**—**	**—**
Balance at 31 December 2023	**373,500**	**552,615**	**57,902**	**(715)**	**(1,282)**	**263,804**	**1,245,824**	**57,136**	**1,302,960**

The notes on pages 87 to 179 are an integral part of these consolidated financial statements.

Consolidated Statement of Cash Flows

for the year ended 31 December 2023

	2023 **RMB'000**	2022 RMB'000
Profit before income tax	**195,757**	192,546
Adjustments for:		
Depreciation of property, plant and equipment	**30,679**	32,242
Amortisation of investment properties	**4,899**	4,271
Amortisation of intangible assets	**2,303**	1,371
Provision for ECL allowance of trade receivables and other financial assets at amortised cost	**10,059**	4,691
Net losses on disposal of property, plant and equipment	**564**	129
Loss/(Gain) on disposal of right-of-use assets	**60**	(2,735)
Interest expense	**3,370**	3,597
Interest income	**(21,885)**	(16,244)
Exchange losses/(gains), net	**194**	(43)
Net gain from derecognition of leases upon early termination	**(1,013)**	(92)
Loss on disposal of derivative financial instruments	**—**	61,883
Share of profit from interests in associates, net	**(4,589)**	(2,969)
Share of profit from interests in joint ventures, net	**(2)**	—
Change of retirement benefit obligations	**(94)**	(209)
Change of LSP obligations	**372**	—
Operating cash flows before movements in working capital	**220,674**	278,438
Changes in trade receivables, prepayments and other financial assets at amortised cost	**(30,186)**	(36,652)
Changes in trade and other payables and contract liabilities	**21,004**	22,408
Decrease/(Increase) in restricted bank deposits	**3,643**	(1,226)
Cash generated from operations	**215,135**	262,968
Income tax paid	**(75,951)**	(46,250)
Net cash generated from operating activities	**139,184**	216,718

Consolidated Statement of Cash Flows (Continued)

for the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Cash flows from investing activities			
Cash outflow for acquisition of a subsidiary, net of cash acquired	38	**(105,602)**	—
Net proceeds upon deregistration of an associate		**4,062**	—
Purchases of investment properties under leases		**(7,779)**	(11,910)
Purchases of property, plant and equipment		**(6,017)**	(8,561)
Net proceeds from disposal of property, plant and equipment		**12**	7
Purchase of intangible assets		**(7,019)**	(816)
Increase in bank deposits with the maturity over three months		**(77,903)**	(14,007)
Repayment of a loan from an associate		**6,886**	—
Dividends received from associates		**—**	2,565
Repayment of a loan from an NCI		**—**	2,504
Investment in a joint venture		**—**	(2,550)
Payment for disposal of derivative financial instruments		**—**	(43,609)
Interest received		**20,713**	15,509
Cash received from finance lease		**7,284**	2,273
Net cash used in investing activities		**(165,363)**	(58,595)
Cash flows from financing activities			
Payment of lease liabilities	39	**(29,914)**	(28,916)
Dividends paid to owners of the Company		**(60,881)**	(82,917)
Dividends paid to NCI		**(9,521)**	—
Net cash used in financing activities		**(100,316)**	(111,833)
Net (decrease)/increase in cash and cash equivalents		**(126,495)**	46,290
Cash and cash equivalents at beginning of the year		**1,443,945**	1,397,612
Exchange effect on cash and cash equivalents		**(1,251)**	43
Cash and cash equivalents at end of the year	26	**1,316,199**	1,443,945

The notes on pages 87 to 179 are an integral part of these consolidated financial statements.

Notes to the Consolidated Financial Statements

for the year ended 31 December 2023

1. GENERAL INFORMATION

Financial Street Property Co., Limited (the "Company", formerly known as "Beijing Financial Street Property Management Co., Ltd.") was incorporated in the People's Republic of China (the "PRC") as a limited liability company on 20 May 1994. On 19 September 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company's registered office is No. 33, Financial Street, Xicheng District, Beijing, the PRC.

The Company's H shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited on 6 July 2020.

The Company's immediate holding company is Beijing Huarong Zonghe Investment Co., Ltd. (the "immediate holding company"), an investment company established in the PRC. The ultimate holding company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (the "ultimate holding company"), a limited liability company incorporated in the PRC, which is under the control of the State-owned Assets Supervision and Administration Commission of Beijing Xicheng District Municipal Government.

The Company and its subsidiaries (together, the "Group") are primarily engaged in the provision of property management and related services in the PRC and Hong Kong.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 27 March 2024.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES

2.1 Basis of preparation

These annual consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosures requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The material accounting policies that have been used in the preparation of these consolidated financial statements are summarised below. These policies have been consistently applied to all the years presented unless otherwise stated. The adoption of new or amended HKFRSs and the impacts on the Group's consolidated financial statements, if any, are disclosed in note 3.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

The consolidated financial statements have been prepared on the historical cost basis. The measurement bases are fully described in the accounting policies below.

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

2.2 Basis of consolidation

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

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

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

Intra-group transactions, balances and unrealised gains and losses on transactions between group companies are eliminated in preparing the consolidated financial statements. Where unrealised losses on sales of intra-group asset are reversed on consolidation, the underlying asset is also tested for impairment from the Group's perspective. Amounts reported in the financial statements of subsidiaries have been adjusted where necessary to ensure consistency with the accounting policies adopted by the Group.

Non-controlling interests represent the equity on a subsidiary not attributable directly or indirectly to the Company, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. For each business combination, the Group can elect to measure any non-controlling interests either at fair value or at their proportionate share of the subsidiary's net identifiable assets.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of consolidation (Continued)

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from the equity attributable to the owners of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of profit or loss and other comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Where certain assets of the subsidiary are measured at revalued amounts or fair values and the related cumulative gain or loss has been recognised in other comprehensive income and accumulated in equity, the amounts previously recognised in other comprehensive income and accumulated in equity are accounted for as if the Company had directly disposed of the related assets (i.e., reclassified to profit or loss or transferred directly to retained earnings).

In the Company's statement of financial position, subsidiaries are carried at cost less any impairment loss unless the subsidiary is held for sale or included in a disposal group. Cost also includes direct attributable costs of investment.

The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable at the end of reporting period. All dividends whether received out of the investee's pre or post-acquisition profits are recognised in the Company's profit or loss.

2.3 Business combinations

Merger accounting for common control combinations

The transfer/acquisition of equity interests in subsidiaries which are regarded as common control combinations are accounted for in a manner similar to a uniting of interests. Assets and liabilities are transferred at book value, adjusted only to harmonise accounting policies, and no goodwill arises. Any difference between the consideration given and the aggregate book value of the assets and liabilities acquired (as of the date of the transaction) is included in equity. The financial statements incorporate the acquired entity's results as if both entities (acquirer and acquiree) had always been combined. Consequently, the financial statements reflects both entities' full year's results, even though the business combinations may have occurred part of the way throughout the year. In addition, the corresponding amounts for the previous year also reflect the combined results of both entities, even though the transaction did not occur until the current year.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Acquisition method of accounting for non-common control combinations

Acquisitions of subsidiaries and businesses which are not under common control are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organised workforce with necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity in the acquiree (if any) over the net of the acquisition — date amounts of the identifiable assets acquired and liabilities assumed. If, after assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value on the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as bargain purchase gain.

Where the consideration the Group transferred in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and considered as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with the corresponding adjustments being made against goodwill or gain on bargain purchase. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period about facts and circumstances that existed as of the acquisition date. Measurement period does not exceed one year from the acquisition date. The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration classified as equity is not subsequently remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as a financial liability is subsequently remeasured at each reporting dates at fair value with changes in fair value recognised in profit or loss.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

Acquisition method of accounting for non-common control combinations (Continued)

Changes in the value of the previously held equity interest recognised in other comprehensive income and accumulated in equity before the acquisition date are reclassified to profit or loss when the Group obtains control over the acquiree.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see above), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

2.4 Associates and joint ventures

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

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

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

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.4 Associates and joint ventures (Continued)

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

Unrealised gains on transactions between the Group and its associate and joint venture are eliminated to the extent of the Group's interest in the associates or joint venture. Where unrealised losses on assets sales between the Group and its associate or joint venture are reversed on equity accounting, the underlying asset is also tested for impairment from the Group's perspective. Where the associate or joint venture uses accounting policies other than those of the Group for like transactions and events in similar circumstances, adjustments are made, where necessary, to conform the associate or joint venture's accounting policies to those of the Group when the associate or joint venture's financial statements are used by the Group in applying the equity method.

When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. For this purpose, the Group's interest in the associate or joint venture is the carrying amount of the investment under the equity method together with the Group's other long-term interests that in substance form part of the Group's net investment in the associate or joint venture, after applying the expected credit loss ("ECL") model to such other long-term interests where applicable.

After the application of equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associate or joint venture. At the end of each reporting period, the Group determines whether there is any objective evidence that the investment in associate or joint venture is impaired. If such indications are identified, the Group calculates the amount of impairment as being the difference between the recoverable amount (i.e. higher of value in use and fair value less costs of disposal) of the associate or joint venture and its carrying amount. In determining the value in use of the investment, the Group estimates its share of the present value of the estimated future cash flows expected to be generated by the associate or joint venture, including cash flows arising from the operations of the associate or joint venture and the proceeds on ultimate disposal of the investment.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.5 Foreign currency translation

The consolidated financial statements are presented in Renminbi ("RMB"), which is also the functional currency of the Company.

In the individual financial statements of the consolidated entities, foreign currency transactions are translated into the functional currency of the individual entity using the exchange rates prevailing at the dates of the transactions. At the end of reporting period, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at that date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the retranslation of monetary assets and liabilities at the end of reporting period are recognised in profit or loss.

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

In the consolidated financial statements, all individual financial statements of foreign operations, originally presented in a currency different from the Group's presentation currency, have been converted into Renminbi. Assets and liabilities have been translated into Renminbi at the closing rates at the end of the reporting period. Income and expenses have been converted into the Renminbi at the exchange rates ruling at the transaction dates, or at the average rates over the reporting period provided that the exchange rates do not fluctuate significantly. Any differences arising from this procedure have been recognised in other comprehensive income and accumulated separately in the translation reserve in equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 have been treated as assets and liabilities of the foreign operation and translated into RMB at the rates prevailing at the end of the reporting period. Goodwill arising on the acquisitions of foreign operations before 1 January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

2.6 Property, plant and equipment

Property, plant and equipment (other than cost of right-of-use assets as described in note 2.15) are initially recognised at acquisition cost (including any cost directly attributable to bringing the assets to the location and condition necessary for them to be capable of operating in the manner intended by the Group's management). They are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.6 Property, plant and equipment (Continued)

Depreciation is recognised so as to write off the cost less their residual values over their estimated useful lives, using the straight-line method, at the following terms:

Office and operating equipment	2–6 years
Vehicles	4–10 years
Leasehold improvements	Estimated useful lives or over the lease terms, whichever is shorter

Accounting policy for depreciation of right-of-use assets is set out in note 2.15.

Estimates of residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

2.7 Investment properties

Investment properties are stated at historical cost less depreciation. Investment properties, principally stores, are held for long-term rental yields and are not occupied by the Group.

Investment properties also include right-of-use assets that meet the definition of investment properties. Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. Depreciation is recognised so as to write off the cost of investment properties over their estimated useful lives of within 34 years or the leasing period and after taking into account of their estimated residual value, using the straight-line method.

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2.20).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other gain/(loss), net" in the consolidated statement of profit or loss and other comprehensive income.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.8 Goodwill

Set out below are the accounting policies on goodwill arising on acquisition of subsidiaries.

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

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see note 2.20).

On subsequent disposal of a subsidiary, the attributable amount of goodwill capitalised is included in the determination of the amount of gain or loss on disposal.

2.9 Intangible assets (other than goodwill)

Acquired intangible assets are recognised initially at cost. After initial recognition, intangible assets with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses.

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

Software use rights and brand royalty	1–10 years
Customer relationships	4 years

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

Intangible assets with finite useful lives are tested for impairments as described below in note 2.20.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments

Recognition and derecognition

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

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

Financial assets

Classification and initial measurement of financial assets

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

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

— amortised cost; or

— FVTPL.

The classification is determined by both:

— the entity's business model for managing the financial asset; and

— the contractual cash flow characteristics of the financial asset.

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

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial assets (Continued)

Subsequent measurement of financial assets

Debt investments

Financial assets at amortised cost

Financial assets are measured at amortised cost if the assets meet the following conditions (and are not designated as FVTPL):

— they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows; and

— the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at amortised cost using the effective interest method. Interest income from these financial assets is included in finance income in the consolidated statement of profit or loss and other comprehensive income. Discounting is omitted where the effect of discounting is immaterial. The Group's trade receivables, other financial assets at amortised cost, bank deposits with the maturity over three months, restricted bank deposits and cash and cash equivalents fall into this category of financial instruments.

Financial liabilities

Classification and measurement of financial liabilities

The Group's financial liabilities include trade and other payables, lease liabilities and contingent consideration.

Financial liabilities (other than lease liabilities) are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at FVTPL.

Subsequently, financial liabilities (other than lease liabilities) are measured at amortised cost using the effective interest method except for derivatives which are not designated as hedging instruments in hedge relationships and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss.

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance income and finance costs.

Accounting policies of lease liabilities are set out in note 2.15.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.10 Financial instruments (Continued)

Financial liabilities (Continued)

Classification and measurement of financial liabilities (Continued)

Trade and other payables

Trade and other payables are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

Contingent consideration

Details of accounting policy of contingent consideration are set out in note 2.12.

2.11 Impairment of financial assets

HKFRS 9's impairment requirements use more forward-looking information to recognise expected credit losses ("ECL") — the "ECL model". Instruments within the scope included loans and other debt-type financial assets measured at amortised cost, trade receivables recognised and measured under HKFRS 15.

The Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

— financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk ("Stage 1"); and

— financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low ("Stage 2").

"Stage 3" would cover financial assets that have objective evidence of impairment at the end of reporting period.

"12-month ECL" are recognised for the Stage 1 category while "lifetime ECL" are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

Trade receivables

For trade receivables, the Group applies a simplified approach in calculating ECL and recognises a loss allowance based on lifetime ECL at the end of each reporting period. These are the expected shortfalls in contractual cash flows, considering the potential for default at any point during the life of the financial assets. In calculating the ECL, the Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors and the economic environment.

To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Other financial assets measured at amortised cost

The Group measures the loss allowance for other receivables equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of default occurring since initial recognition.

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial assets at the end of reporting period with the risk of default occurring on the financial assets at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

— an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

— significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;

— existing or forecast adverse changes in regulatory, business, financial, economic conditions, or technological environment that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations; and

— an actual or expected significant deterioration in the operating results of the debtor.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.11 Impairment of financial assets (Continued)

Other financial assets measured at amortised cost (Continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the end of each reporting period. A debt instrument is determined to have low credit risk if it has a low risk of default, the borrower has strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfill its contractual cash flow obligations.

For internal credit risk management, the Group considers an event of default occurs when (i) information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collateral held by the Group); or (ii) the financial asset is more than three years past due.

Detailed analysis of the ECL assessment of trade receivables and other financial assets measured at amortised cost are set out in note 41.4.

2.12 Contingent consideration

Contingent consideration are recognised at fair value at the end of each reporting period with gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for hedged accounting under HKFRS 9.

2.13 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value. Bank deposits which are restricted are included in “restricted bank deposits” of the consolidated statements of financial position.

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. Contractual restrictions affecting use of bank balances are disclosed in note 26.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.14 Contract liabilities

A contract liability is recognised when the customer pays consideration before the Group recognises the related revenue. A contract liability would also be recognised if the Group has an unconditional right to receive consideration before the Group recognises the related revenue. In such cases, a corresponding receivable would also be recognised.

For a single contract with the customer, either a net contract asset or a net contract liability is presented. For multiple contracts, contract assets and contract liabilities of unrelated contracts are not presented on a net basis.

2.15 Leases

(a) Definition of a lease and the Group as a lessee

At inception of a contract, the Group considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an identified asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition, the Group assesses whether the contract meets three key evaluations which are whether:

- the contracts contain an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Group;

- the Group has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Group has the right to direct the use of the identified asset throughout the period of use. The Group assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the consolidated statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the underlying asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any lease incentives received).

The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term unless the Group is reasonably certain to obtain ownership at the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicator exists.

At the commencement date, the Group measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payment of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Subsequent to initial measurement, the liability will be reduced for lease payments made and increased for interest cost on the lease liability. It is remeasured to reflect any reassessment or lease modification, or if there are changes in in-substance fixed payments. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs.

The Group remeasures lease liabilities whenever:

- there are changes in lease term or in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments changes due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(a) Definition of a lease and the Group as a lessee (Continued)

Measurement and recognition of leases as a lessee (Continued)

For lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of modification.

When the lease is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these leases are recognised as an expense in profit or loss on a straight-line basis over the lease term. Short-term leases are leases with a lease term of 12 month or less. Low-value assets comprise printers and other small items of office equipment.

On the consolidated statement of financial position, right-of-use assets have been included in "property, plant and equipment", the same line as it presents the underlying assets of the same nature that it owns. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits paid are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

(b) The Group as a lessor

As a lessor, the Group classifies its leases as either operating or finance leases.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset, and classified as an operating lease if it does not.

When the Group is an intermediate lessor, it accounts for the head lease and the sub-leases as two separate contracts. The sub-leases are classified as a finance or operating lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If the head lease is a short-term lease to which the Group applies the short-term lease exemption, then the Group classifies the sub-lease as an operating lease.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.15 Leases (Continued)

(b) The Group as a lessor (Continued)

The Group sub-leases some of its properties and the sub-lease contracts are classified as finance lease and operating lease.

The Group also earns rental income from operating leases of its investment properties. Rental income is recognised on a straight-line basis over the term of the lease.

2.16 Provisions and contingent liabilities

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of the Group, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Contingent liabilities assumed in a business combination which are present obligations at the date of acquisition are initially recognised at fair value, provided the fair value can be reliably measured. After the initial recognition at fair value, such contingent liabilities are recognised at the higher of the amount initially recognised, less accumulated amortisation where appropriate, and the amount that would be recognised in a comparable provision as described above. Contingent liabilities assumed in a business combination that cannot be reliably fair valued or were not present obligations at the date of acquisition are disclosed as per above.

Probable inflows of economic benefits to the Group that do not yet meet the recognition criteria of an asset are considered as contingent assets.

2.17 Share capital

Ordinary shares are classified as equity. Share capital is recognised at the amount of consideration of shares issued, after deducting any transaction costs associated with the issuing of shares (net of any related income tax benefit) to the extent they are incremental costs directly attributable to the equity transaction.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition

The Group provides property management services and community value-added services. Revenue from providing services is recognised in the accounting period in which the services are rendered.

To determine whether to recognise revenue, the Group follows a 5-step process:

1. Identifying the contract with a customer

2. Identifying the performance obligations

3. Determining the transaction price

4. Allocating the transaction price to the performance obligations; and

5. Recognising revenue when/as performance obligation(s) are satisfied

In all cases, the total transaction price for a contract is allocated amongst the various performance obligations based on their relative stand-alone selling prices. The transaction price for a contract excludes any amounts collected on behalf of third parties.

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

Revenue is recognised either at a point in time or over time, when (or as) the Group satisfies performance obligations by transferring the promised goods or services to its customers.

Further details of the Group's revenue and other income recognition policies are as follows:

Property management and related service income

Revenue from property management and related services (both under lump sum basis and commission basis) is recognised in the accounting period in which the services are rendered as the customer simultaneously receives and consumes the benefits provided by the Group's performance when the Group performs.

For property management and related services, the Group bills a fixed amount for each month of service provided and recognises as revenue in the amount to which the Group has a right to invoice and corresponds directly with the value of performance completed.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.18 Revenue recognition (Continued)

Property management and related service income (Continued)

For property management service income from properties managed 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 recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services.

For property management service income from properties managed 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 recognises the commission, which is calculated by certain fixed amount or percentage of the total property management fees received or receivable from the property units.

Catering service income

The control of catering services is transferred at a point in time and revenue is recognised when the related services have been rendered to customers.

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 consideration 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.

Community value-added services

Community value-added services include mainly value-added services relating to services to property owners, which mainly include management services of car parking, residential property brokerage, resident services and other services, is recognised over the time when the services are rendered. Payment of the transaction is due immediately when the community value-added services are rendered to the customer.

Interest income

Interest income is recognised on a time proportion basis using the effective interest method. For financial assets measured at amortised cost that are not credit-impaired, the effective interest rate is applied to the gross carrying amount of the asset.

Rental income

Accounting policies for rental income are set out in note 2.15.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to income is presented in gross under "other income" in the consolidated statement of profit or loss and other comprehensive income.

2.20 Impairment of non-financial assets (other than contract assets)

The following assets are subject to impairment testing:

— Goodwill arising on acquisition of subsidiaries;

— Other intangible assets;

— Property, plant and equipment (including right-of-use assets); and

— The Company's interests in subsidiaries, associates and joint ventures

Goodwill and other intangible assets with an indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. All other assets are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. Recoverable amount is the higher of fair value, reflecting market conditions less costs of disposal, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. Corporate assets are allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. Goodwill in particular is allocated to those cash-generating units that are expected to benefit from synergies of the related business combination and represent the lowest level within the Group at which the goodwill is monitored for internal management purpose and not be larger than an operating segment.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.20 Impairment of non-financial assets (other than contract assets) (Continued)

Impairment losses recognised for cash-generating units, to which goodwill has been allocated, are credited initially to the carrying amount of goodwill. Any remaining impairment loss is charged pro rata to the other assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost of disposal, or value in use, if determinable.

An impairment loss on goodwill is not reversed in subsequent periods. In respect of other assets, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

2.21 Employee benefits

Short-term obligations

Liabilities for wages and salaries 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 recognised 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 consolidated statement of financial position.

Post-employment obligations

The Group operates various post-employment schemes, including both defined benefit and defined contribution pension plans.

The liability recognised in the consolidated statement of financial position in respect of defined benefit pension plans is the present value of the defined benefit obligation at the end of the reporting period. The defined benefit obligation is calculated annually by an independent actuary, Towers Watson, using the projected unit credit method.

The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation. In countries where there is no deep market in such bonds, the market rates on government bonds are used.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation. This cost is included in employee benefit expense in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

Post-employment obligations (Continued)

Remeasurement gains and losses arising from experience adjustments and changes in actuarial assumptions are recognised in the period in which they occur, directly in other comprehensive income. They are included in other reserve in the statement of changes in equity and in the consolidated statement of financial position.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognised immediately in profit or loss as past service costs.

For defined contribution plans, 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 recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Long service payment ("LSP")

The Group's net obligation in respect of LSP to its employees upon the termination of their employment or retirement when the employee fulfills certain circumstances under the Hong Kong Employment Ordinance is the amount of future benefit that employees have earned in return for their services in the current and prior periods.

The obligation is calculated using the projected unit credit method, discounted to present value and reduced by entitlements accrued under the Group's retirement plans that are attributable to contributions made by the Group. The discount rate is the yield at the reporting date on high quality corporate bonds which have terms to maturity approximating the terms of the related liability.

Remeasurement are charged or credited to equity in other comprehensive income in the period in which they arise.

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.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.21 Employee benefits (Continued)

Bonus plans

The Group recognises a liability and an expense for bonuses, where contractually obliged or where there is a past practice that has created a constructive obligation.

2.22 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the end of reporting period. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in profit or loss.

Deferred tax is calculated using the liability method on temporary differences at the end of reporting period between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss and does not give rise to equal taxable and deductible temporary differences.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries except where the Group is able to control the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies the requirements in HKAS 12 to the lease liabilities and the related assets separately. The Group recognises a deferred tax asset related to the lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the period the liability is settled or the asset realised, provided they are enacted or substantively enacted at the end of reporting period.

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.22 Accounting for income taxes (Continued)

Changes in deferred tax assets or liabilities are recognised in profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly in equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) the Group has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

   (i) the same taxable entity; or

   (ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.23 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 board of directors of the Company that makes strategic decisions.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

2. SUMMARY OF MATERIAL ACCOUNTING POLICIES (CONTINUED)

2.24 Related parties

For the purposes of these consolidated financial statements, a party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

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

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

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

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

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

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

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

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

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

Close members of the family of a person are those family members who may be expected to influence, or be influenced by, that person in their dealings with the entity.

3. ADOPTION OF NEW AND AMENDED HKFRSs

3.1 New and amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

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

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.2 Issued but not yet effective HKFRSs

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[1]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5[1]
Amendments to HKAS 1	Non-current Liabilities with Covenants[1]
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements[1]
Amendments to HKAS 21	Lack of exchangeability[2]

[1] Effective for annual periods beginning on or after 1 January 2024
[2] Effective for annual periods beginning on or after 1 January 2025
[3] Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3.3 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism

As disclosed in note 32 to consolidated financial statement, in June 2022, the Hong Kong SAR Government (the "Government") gazetted the Hong Kong Employment and Retirement Schemes Legislation (Offsetting Arrangement) (Amendment) Ordinance 2022 (the "Amendment Ordinance"), which will take effect on 1 May 2025 (the "Transition Date"). The Amendment Ordinance abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset LSP in respect of an employee's service from the Transition Date (the "Abolition"). In addition, the last month's salary immediately preceding the Transition Date is used to calculate the portion of the LSP in respect of the employment period before the Transition Date.

Prior to 1 January 2023, the Group applied practical expedient in paragraph 93(b) of HKAS 19 (the "Practical Expedient") to account for the offsetable MPF benefits as deemed employee contributions to reduce the current service costs in the period in which the related services were rendered.

In July 2023, the HKICPA published "Accounting implications of the abolition of the MPF-LSP offsetting mechanism in Hong Kong" ("the Guidance") that provides guidance for the accounting for the offsetting mechanism and the impact arising from the abolition of the MPF-LSP offsetting mechanism.

3. ADOPTION OF NEW AND AMENDED HKFRSs (CONTINUED)

3.3 New HKICPA guidance on the accounting implication of the MPF-LSP offsetting mechanism (Continued)

By following the Guidance, the Group has changed its accounting policy in connection with its LSP obligations. As a result of the Abolition, these contributions are no longer considered "linked solely to the employee's service in that period" since the mandatory employer MPF contribution after the Transition Date can still be used to offset the pre-transition LSP obligation. Therefore, the Group ceased to apply the Practical Expedient and reattribute the deemed employee contributions to periods of service in the same manner as the gross LSP benefit by applying paragraph 93(a) of HKAS 19. This change in accounting policy upon the cessation in applying the Practical Expedient has resulted in a catch-up adjustment in profit or loss in June 2022 for the service cost up to that date and consequential impacts on current service cost, interest expense and remeasurement effects from changes in actuarial assumptions for the rest of 2022 (see note 32), with the corresponding adjustment to the carrying amount of the LSP obligations during the year ended 31 December 2022. This change in accounting policy did not have any impact on the opening balance of equity at 1 January 2023, and the earnings per share amounts for the year ended 31 December 2022. It also did not have a material impact on the company-level statements of financial position as at 31 December 2022 and 31 December 2023.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Estimation of ECL allowance of trade receivables within the scope of ECL under HKFRS 9

The Group makes allowances on trade receivables subjects to ECL based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period as set out in note 2.11. As at 31 December 2023, the aggregate carrying amounts of trade receivables amounted to RMB270,618,000 (net of ECL allowance of RMB21,126,000) (2022: RMB242,597,000 (net of ECL allowance of RMB13,854,000)). Details of the provision for ECL allowance of trade receivables are set out in note 23.

The provision of ECL is sensitive to changes in estimates. The domestic economic development is facing the pressure from supply shock and weakening expectations. A volatile external environment and declining external demand are having a greater impact on China's economy, making it difficult to stabilize the economy in short term. Due to the financial uncertainty triggered by rising market interest rates and high inflation, the Group has increased the expected loss rates in the current year. When the actual future cash flows are different from expected, such difference will impact the carrying amount of trade receivables and other items within the scope of ECL under HKFRS 9 and credit losses in the periods in which such estimate has been changed.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

Impairment of non-financial assets (other than goodwill)

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying amount of non-financial assets, including investment properties, property, plant and equipment, interests in associates, interests in joint ventures and intangible assets do not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from the cash generating units to which the assets belongs. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

As at 31 December 2023, the carrying amounts of the investment properties, property, plant and equipment, interest in associates, interests in joint ventures and intangible assets are RMB22,317,000, RMB51,017,000, RMB16,204,000, RMB2,552,000 and RMB18,620,000 (2022: RMB19,437,000, RMB78,935,000, RMB15,677,000, RMB2,550,000 and RMB7,968,000) respectively.

Estimation of goodwill impairment

The Group tests annually whether goodwill has suffered any impairment in accordance with the accounting policy stated in note 2.8. The recoverable amounts of cash-generating units have been determined based on value-in-use calculations. These calculations require the use of estimates about future cash flows and discount rates. In the process of estimating expected future cash flows, management makes assumptions about future revenues and profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause a material adjustment to the carrying amount of goodwill within the next financial year. Determining the appropriate discount rate involves estimating the appropriate adjustment for market risk and for asset specific risk factors. Details of the estimates of the recoverable amounts of cash generating units containing goodwill are disclosed in note 21.

5. SEGMENT INFORMATION

The board of directors of the Company is the Group's CODM. The board of directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the provision of property management and related services in the PRC and Hong Kong, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The board of directors considers the performance assessment of the Group that should be based on the results of the Group as a whole. Therefore, the board of directors considers there to be only one operating segment under the requirement of HKFRS 8.

6. REVENUE

The Group's principal activities are disclosed in note 1 to the consolidated financial statements.

The Group's revenue recognised during the year is as follows:

	2023 **RMB'000**	2022 RMB'000
Revenue from contract with customers		
Property management and related services		
— recognised on a lump sum basis from property management services	**1,115,501**	1,027,421
— recognised on a commission basis from property management services	**12,873**	13,203
— Community value-added services	**302,757**	280,530
Catering services	**73,450**	61,032
	1,504,581	1,382,186
Revenue from other sources		
Rental income	**9,895**	6,003
	1,514,476	1,388,189

For the year ended 31 December 2023, Financial Street Group and its subsidiaries, associates and joint ventures (the "Financial Street Affiliates Group") contributed 12% of the Group's revenue (2022: 15%). Other than the Financial Street Affiliates Group, the Group had a large number of customers, none of whom contribute 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

6. REVENUE (CONTINUED)

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major types of services provided:

	2023 **RMB'000**	2022 *RMB'000*
Segment revenue		
— recognised over time	**1,431,131**	1,321,154
— recognised at a point in time	**73,450**	61,032
Rental income	**9,895**	6,003
	1,514,476	1,388,189

The Group's revenue from external customers is mainly derived from customers located in Mainland China (location of domicile) and Hong Kong, which is determined based on the location of customers, while the Group's non-current assets are located in Hong Kong and Mainland China, which is determined based on the geographical location of these assets or place of group entities that hold such assets, where appropriate.

	2023 **RMB'000**	2022 *RMB'000*
External revenue		
— Mainland China	**1,487,570**	1,388,189
— Hong Kong	**26,906**	—
	1,514,476	1,388,189

	2023 **RMB'000**	2022 *RMB'000*
Additions to non-current segment assets (other than financial instruments and deferred tax assets)		
— Mainland China	**26,765**	54,731
— Hong Kong	**86,885**	—
	113,650	54,731

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Government grants *(note)*	**1,777**	4,457
Recognition of additional deductible input VAT	**3,970**	8,020
	5,747	12,477

Note:

The government grants were received from PRC local government authorities on a discretionary basis for local business development and employment.

There were no unfulfilled conditions and other contingencies attached to the receipt of subsidy.

8. OTHER GAIN/(LOSS), NET

	2023 RMB'000	2022 RMB'000
Loss on disposal of financial derivatives	**—**	(61,883)
Net loss on disposal of property, plant and equipment	**(564)**	(129)
Net gain from derecognition of leases upon early termination	**1,013**	92
(Loss)/Gain on disposal of right-of-use assets	**(60)**	2,735
Others	**(106)**	245
	283	(58,940)

9. FINANCE INCOME, NET

	2023 RMB'000	2022 RMB'000
Finance income		
Interest income on bank deposits	**20,713**	15,509
Interest income on a loan to an associate	**—**	198
Interest income on a loan to an NCI	**—**	30
Interest income on finance leases	**1,172**	507
	21,885	16,244
Finance costs		
Finance charges on lease liabilities	**(3,068)**	(3,597)
Imputed interest income from consideration payables related to acquisition of a subsidiary	**(302)**	—
	(3,370)	(3,597)
	18,515	12,647

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

10. PROFIT BEFORE INCOME TAX

Profit for the year is arrived at after charging/(crediting):

	2023 *RMB'000*	2022 *RMB'000*
Staff costs – including directors' emoluments *(note 14)*		
— Included in cost of sales and services	**489,296**	458,299
— Included in administrative expenses	**43,551**	49,388
Cost of cleaning, security and maintenance services	**541,175**	467,939
Utilities	**94,665**	87,214
Depreciation		
— Property, plant and equipment *(note 17)*	**30,679**	32,242
— Investment properties *(note 16)*	**4,899**	4,271
Amortisation of intangible assets *(note 22)*	**2,303**	1,371
Provision for ECL allowance		
— Trade receivables *(note 23)*	**9,707**	3,802
— Other financial assets at amortised cost *(note 25)*	**352**	889
Cost of raw material and consumables for catering services	**53,861**	53,838
Lease charges:		
— Short term leases	**9,642**	7,218
— Leases of low value items	**6,254**	6,659
Professional service fee	**10,571**	8,681
Taxes and surcharges	**6,829**	5,857
Auditor's remuneration		
— Audit services	**2,075**	1,842
— Non-audit services	**577**	521
Exchange loss/(gain), net	**194**	(62,109)
Other expenses	**41,225**	36,874

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

11. INCOME TAX EXPENSES

	2023 **RMB'000**	2022 RMB'000 (Restated)
Current income tax		
— PRC Corporate Income Tax	**56,196**	70,838
— Hong Kong Profits Tax	**486**	—
Deferred tax *(note 30)*	**(4,466)**	(14,082)
Total income tax expense	**52,216**	56,756

Reconciliation between tax expense and accounting profit at applicable tax rates is as follow:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Profit before income tax	**195,757**	192,546
Tax calculated at a tax rate of 25%	**48,939**	48,137
Expenses not deductible for tax purposes	**2,581**	1,446
Utilisation of tax loss and deductible temporary differences not recognised in previous year	**(235)**	—
Income not chargeable for tax purposes	**(1,148)**	(744)
Tax losses and deductible temporary differences for which no deferred tax assets were recognised	**1,996**	8,755
Reverse of previously recognised deferred tax assets	**(149)**	—
Changes in tax rate	**(3)**	94
Under/(over)-provision of previous income tax	**1,471**	(4)
Differences in tax rate	**(1,236)**	(928)
Income tax expenses	**52,216**	56,756

PRC Corporate Income Tax

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general Corporate Income Tax rate in the PRC is 25% (2022: 25%).

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

11. INCOME TAX EXPENSES (CONTINUED)

PRC Corporate Income Tax (Continued)

Yongtaiheng, Huarong Property Agency, Beijing Jintongtai Catering Co., Ltd., Beijing Financial Street Savills Jingnan Property Management Co., Ltd., Hubei Financial Street Savills Property Management Co., Ltd., Beijing Financial Street Residential Property Management Co., Ltd. and Beijing Jinxi Lilin Life Services Co., Ltd. (formerly known as Beijing Jinxi Lilin Health Management Co., Ltd.) were qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority (2022: 2.5%); Financial Street Hongya Property Services (Chongqing) Co., Ltd., Beijing Yijigou Trading Co., Ltd. and Shandong Financial Street Property Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority (2022: Nil).

Hong Kong profits tax

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK$2,000,000 are taxed at 16.5%.

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 takes into account a reduction granted by the Hong Kong Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK$6,000 for each business.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

12. DIVIDEND

(a) Dividend attributable to the year:

	2023 **RMB'000**	2022 *RMB'000*
Proposed final dividend of RMB0.173 per ordinary share (2022: RMB0.163 per ordinary share)	**64,616**	60,881

The final dividend proposed after the reporting date is subject to approval of the shareholders at the forthcoming annual general meeting of the Company and has not been recognised as a liability at the reporting date.

(b) Dividends attributable to the previous financial year, approved and paid during the year:

	2023 **RMB'000**	2022 *RMB'000*
Final dividends declared by the Company *(note i)*	**60,881**	82,917
Final dividends declared to NCI by subsidiaries *(note ii)*	**9,521**	—
	70,402	82,917

Notes:

(i) In the annual general meeting of the Company on 8 June 2023, the Board declared a final dividend in respect of the year ended 31 December 2022 of RMB0.163 per share, totalling approximately RMB60,881,000. The dividend was settled in August 2023.

In the annual general meeting of the Company on 9 June 2022, the Board declared a final dividend in respect of the year ended 31 December 2021 of RMB0.222 per share, totalling approximately RMB82,917,000. The dividend was settled in August 2022.

(ii) These are the dividend declared and paid by Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary, to NCI for the year ended 31 December 2021.

(c) Dividends attributable to the previous financial year, approved and payable during the year:

	2023 **RMB'000**	2022 *RMB'000*
Final dividends declared to NCI by subsidiaries *(note)*	**11,205**	—

Note:

These are the dividend declared by Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary, to NCI for the year ended 31 December 2022.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

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 outstanding during the year.

	2023	2022 (Restated)
Profit attributable to owners of the Company *(RMB'000)*	**128,098**	121,112
Weighted average number of ordinary shares in issue *('000)*	**373,500**	373,500
Basic earnings per share *(RMB)*	**0.343**	0.324

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Group had no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022.

14. EMPLOYEE BENEFIT EXPENSE

	2023 *RMB'000*	2022 *RMB'000*
Wages, salaries and bonuses	**380,924**	357,283
Pension costs — defined contribution plans *(note)*	**56,168**	53,028
Housing funds	**26,869**	27,456
Other social security costs	**29,874**	30,478
Pension costs — defined benefit plan *(note 31)*	**157**	167
Expenses arising from LSP obligations *(note 32)*	**17**	—
Other employee benefits	**38,838**	39,275
	532,847	507,687

Note:

Employees of the Group's entities are required to participate in a defined contribution plan administrated and operated by the local municipal government. The Group's entities contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the plan to fund the retirement benefits of the employees.

At 31 December 2023, there was no forfeited contribution available to reduce the contributions payable in the future years (2022: Nil).

Some of the Group's entities also provide an annuity plan to some senior employees, which is also a defined contribution plan.

The Group has no other material obligation for the payment of retirement benefits associated with these plans beyond the annual contributions described above contribution scheme during the year ended 31 December 2023 (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

15.1 Directors' emoluments

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

	Year ended 31 December 2023				
	Fees	Salaries and allowances	Discretionary bonuses	Retirement scheme contributions	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Executive directors:					
Sun Jie	—	503	500	209	1,212
Song Ronghua *(note ii)*	—	382	379	206	967
Xue Rui	—	384	375	209	968
Non-executive directors:					
Shen Mingsong *(note i & iii)*	—	—	—	—	—
Hu Yuxia *(note i & iv)*	—	—	—	—	—
Liang Jianping *(note i & v)*	—	—	—	—	—
Li Liang *(note i)*	—	—	—	—	—
Zhao Lu *(note i)*	—	—	—	—	—
Independent non-executive directors:					
Song Baocheng	150	—	—	—	150
Tong Yan	150	—	—	—	150
Lu Qing	150	—	—	—	150
Supervisors:					
Liu Anpeng *(note i)*	—	—	—	—	—
Gao Minghui	—	169	19	86	274
Lyu Min	—	172	19	72	263
	450	1,610	1,292	782	4,134

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

15.1 Directors' emoluments (Continued)

	Year ended 31 December 2022				
	Fees *RMB'000*	Salaries and allowances *RMB'000*	Discretionary bonuses *RMB'000*	Retirement scheme contributions *RMB'000*	Total *RMB'000*
Executive directors:					
Sun Jie	—	501	500	191	1,192
Xue Rui	—	384	375	191	950
Non-executive directors:					
Shen Mingsong *(note i & iii)*	—	—	—	—	—
Liang Jianping *(note i & v)*	—	—	—	—	—
Zhou Pang *(note i & vi)*	—	—	—	—	—
Jiang Rui *(note i & vi)*	—	—	—	—	—
Li Liang *(note i)*	—	—	—	—	—
Zhao Lu *(note i)*	—	—	—	—	—
Independent non-executive directors:					
Song Baocheng	150	—	—	—	150
Tong Yan	150	—	—	—	150
Lu Qing	150	—	—	—	150
Supervisors:					
Liu Anpeng *(note i)*	—	—	—	—	—
Gao Minghui	—	166	19	83	268
Lyu Min	—	160	19	58	237
	450	1,211	913	523	3,097

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

15.1 Directors' emoluments (Continued)

Notes:

(i) The emoluments of these directors and supervisors are paid by shareholders of the Company.

(ii) Mr. Song Ronghua were appointed as executive directors with effect from 7 December 2023.

(iii) Mr. Shen Mingsong has resigned from non-executive directors with effect from 8 June 2023.

(iv) Ms. Hu Yuxia was appointed as non-executive directors with effect from 8 June 2023.

(v) Mr. Liang Jianping has resigned as non-executive directors with effect from 7 December 2023.

(vi) Mr. Zhou Peng and Mr. Jiang Rui have resigned from non-executive directors with effect from 9 June 2022.

The emoluments shown above represents emoluments received from the Group by the directors and supervisors in his capacity as employee of the Group and/or in their capacity as director of the companies comprising the Group for the years ended 31 December 2023 and 2022.

15.2 Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year included three (2022: two) directors whose emoluments are reflected in the analysis presented above. The aggregate emoluments payable to the remaining two (2022: three) individual(s) during the year are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Salaries and allowances	**854**	1,359
Discretionary bonuses	**600**	875
Retirement scheme contributions	**409**	559
	1,863	2,793

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

15. DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS (CONTINUED)

15.2 Five highest paid individuals (Continued)

The emoluments fell within the following bands:

	Number of individuals	
	2023	2022
Emolument bands (in HK dollar)		
Nil–HK$1,000,000	**2**	3

The discretionary bonus is determined with reference to the duties and responsibilities of the relevant individual within the Group and the Group's performance.

No directors and supervisors or the five highest paid individuals received any emoluments from the Group as an inducement to join or upon joining the Group or as compensation for loss of office for the years ended 31 December 2023 and 2022. No directors and supervisors or the five highest paid individuals have waived or agreed to waive any emoluments for the years ended 31 December 2023 and 2022.

16. INVESTMENT PROPERTIES

	Year ended 31 December 2023		
	Building	**Leased properties**	**Total**
	RMB'000	***RMB'000***	***RMB'000***
Cost			
At beginning of year	**3,822**	**35,497**	**39,319**
Additions	**—**	**7,779**	**7,779**
At beginning of year and end of year	**3,822**	**43,276**	**47,098**
Accumulated depreciation			
At beginning of year	**(457)**	**(19,425)**	**(19,882)**
Depreciation charge for the year	**(110)**	**(4,789)**	**(4,899)**
At end of year	**(567)**	**(24,214)**	**(24,781)**
Net book amount			
At end of year	**3,255**	**19,062**	**22,317**

16. INVESTMENT PROPERTIES (CONTINUED)

	Year ended 31 December 2022		
	Building *RMB'000*	Leased properties *RMB'000*	Total *RMB'000*
Cost			
At beginning of year	3,822	23,587	27,409
Additions	—	11,910	11,910
At beginning of year and end of year	3,822	35,497	39,319
Accumulated depreciation			
At beginning of year	(347)	(15,264)	(15,611)
Depreciation charge for the year	(110)	(4,161)	(4,271)
At end of year	(457)	(19,425)	(19,882)
Net book amount			
At end of year	3,365	16,072	19,437

Investment properties mainly consist of leased properties, which represent right-of-use assets for subleasing that meet the definition of investment properties. The leased properties are commercial buildings location in PRC. They are initially measured based on the initial amount of the relevant lease liability. The lease liability is initially measured at the net present value of lease payments discounted using the implicit interest rate in the lease. The ownership of such leased properties is not transferred to the Group from the lessors. The leased properties are depreciated over the lease term which is shorter than their useful life on a straight-line basis.

As at 31 December 2023, the Group had two lease contracts (2022: three).

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

16. INVESTMENT PROPERTIES (CONTINUED)

Particulars of the investment properties at 31 December 2023 and 2022 are as follows:

Description	Type	Location	Lease term	2023 RMB'000	2022 RMB'000
Building					
420/3 Qiluyuan Square, North City New Zone, Lanshan District, Linyi, Shangdong	Commercial building	The PRC	Long term	**3,255**	3,365
Leased properties					
Basement 1, Zhong Zai Center Building, No. 18, Luomashi Street, Xicheng District, Beijing	Commercial building	The PRC	Short term	**—**	3,516
Commercial premises of ground floor, Buildings No. 5, 10, 23, 24, A8, A23, Second District, Ximachang Nanli, Fengtai District, Beijing	Commercial building	The PRC	Short term	**—**	646
No. 6 Courtyard, Zhuangyi North Street, Fengtai District, Beijing	Car parking lot	The PRC	Long term	**19,062**	11,910
				19,062	16,072
Total				**22,317**	19,437

Fair value measurement

The Group's investment property was valued at 31 December 2023 by an independent professional qualified valuer, GuoZhongLian Asset Appraisal Land Real Estate Valuation Co., Ltd. who has the recent experience in the location and category of property being valued.

Details of the Group's investment property and information about the fair value hierarchy as at 31 December 2023 and 2022 are as follows:

	Fair value hierarchy	Fair value 2023 RMB'000	Fair value 2022 RMB'000
Fair value on a recurring basis			
— Commercial building located in the PRC	Level 3	**3,299**	3,748

The fair value was determined based on the market comparable approach that reflects recent transactions prices for similar properties, adjusted for differences in nature, location and conditions of the properties under review. There has no change from the valuation technique used in the prior years.

The fair value of the Group's investment property at 31 December 2023 and 2022 is grouped into Level 3 of fair value measurement. There were no transfers into or out of Level 3 during both years.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT

	Year ended 31 December 2023				
	Right-of-use assets *RMB'000*	Office and operating equipment *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost					
At beginning of year	**86,423**	**34,680**	**19,009**	**25,674**	**165,786**
Additions	**5,316**	**3,490**	**803**	**2,358**	**11,967**
Acquisition of a subsidiary *(note 38)*	**697**	**194**	**714**	**538**	**2,143**
Disposals and terminations	**(51,433)**	**(1,717)**	**—**	**—**	**(53,150)**
At end of year	**41,003**	**36,647**	**20,526**	**28,570**	**126,746**
Accumulated depreciation					
At beginning of year	**(38,984)**	**(21,396)**	**(13,899)**	**(12,572)**	**(86,851)**
Depreciation charge for the year	**(16,785)**	**(5,323)**	**(1,912)**	**(6,659)**	**(30,679)**
Disposals and terminations	**40,660**	**1,141**	**—**	**—**	**41,801**
At end of year	**(15,109)**	**(25,578)**	**(15,811)**	**(19,231)**	**(75,729)**
Net book amount					
At end of year	**25,894**	**11,069**	**4,715**	**9,339**	**51,017**

	Year ended 31 December 2022				
	Right-of-use assets *RMB'000*	Office and operating equipment *RMB'000*	Vehicles *RMB'000*	Leasehold improvements *RMB'000*	Total *RMB'000*
Cost					
At beginning of year	73,037	32,372	17,914	16,956	140,279
Additions	26,543	3,099	1,095	8,718	39,455
Disposals and terminations	(13,157)	(791)	—	—	(13,948)
At end of year	86,423	34,680	19,009	25,674	165,786
Accumulated depreciation					
At beginning of year	(26,207)	(17,585)	(11,877)	(7,770)	(63,439)
Depreciation charge for the year	(20,952)	(4,466)	(2,022)	(4,802)	(32,242)
Disposals and terminations	8,175	655	—	—	8,830
At end of year	(38,984)	(21,396)	(13,899)	(12,572)	(86,851)
Net book amount					
At end of year	47,439	13,284	5,110	13,102	78,935

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

17. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The right-of-use assets represented leases of office premises, staff quarters and restaurants in the PRC. The leases typically run for an initial period of 2 to 5 (2022: 2 to 8) years.

As at 31 December 2023 and 2022, included in the net carrying amount of property, plant and equipment are right-of-use assets as follows:

	Year ended 31 December 2023		
	Carrying amount		**Depreciation**
	As at 31 December 2023	**As at 1 January 2023**	**For the year ended 31 December 2023**
	RMB'000	***RMB'000***	***RMB'000***
Staff quarter	**13,967**	**19,379**	**6,921**
Office	**3,530**	**14,210**	**5,801**
Restaurant	**8,397**	**13,850**	**4,063**
Total	**25,894**	**47,439**	**16,785**

	Year ended 31 December 2022		
	Carrying amount		Depreciation
	As at 31 December 2022	As at 1 January 2022	For the year ended 31 December 2022
	RMB'000	*RMB'000*	*RMB'000*
Staff quarter	19,379	19,324	8,563
Office	14,210	17,847	7,051
Restaurant	13,850	9,659	5,338
Total	47,439	46,830	20,952

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES

Particulars of the principal subsidiaries at 31 December 2023 and 2022 are as follows:

Name of company*	Country of registration and business	Type of legal entity	Registered share capital/Issued and fully paid share capital '000	Percentage of ownership interest effectively held by the Company 2023	2022	Principal activities
Directly held by the Company						
Beijing Jinxi Litai Hotel Management Co., Ltd 北京金禧麗泰酒店管理有限責任公司	The PRC	Limited liability company	RMB10,000	**100%**	100%	Hotel and catering management
Beijing Financial Street Residential Property Management Co., Ltd. 北京金融街住宅物業管理有限責任公司	The PRC	Limited liability company	RMB6,000	**100%**	100%	Residential property management
Beijing Jinxi Lilin Life Services Co., Ltd. (formerly known as Beijing Jinxi Lilin Health Management Co., Ltd.) 北京金禧麗鄰生活服務有限責任公司 (formerly known as 北京金禧麗鄰健康管理有限責任公司)	The PRC	Limited liability company	RMB2,000	**100%**	100%	Elderly care services
Beijing Xidan Southeast Plaza Property Management Co., Ltd. 北京市西單東南大廈物業管理有限公司	The PRC	Limited liability company	RMB1,010	**100%**	100%	Property management
Beijing Xima Property Management Co., Ltd. 北京市西馬物業管理有限責任公司	The PRC	Limited liability company	RMB1,000	**100%**	100%	Property management
Beijing Ronglutong Consulting Services Co., Ltd. 北京融路通諮詢服務有限責任公司	The PRC	Limited liability company	RMB2,000	**100%**	100%	Parking management and consultancy
Beijing Financial Street Savills Property Management Co., Ltd. 北京金融街第一太平戴維斯物業管理有限公司	The PRC	Limited liability company	RMB15,000	**80%**	80%	Property management
Financial Street Hongya Property Services (Chongqing) Co., Ltd. 金融街泓亞物業服務(重慶)有限公司	The PRC	Limited liability company	RMB5,000	**51%**	51%	Property management
Beijing Yongtaiheng Health Service Co., Ltd.** 北京永泰恒衛生服務有限公司**	The PRC	Limited liability company	RMB2,963	**100%**	100%	Property management and logistic services
Beijing Huarong Property Agency Co., Ltd. 北京華融房地產經紀有限公司	The PRC	Limited liability company	RMB1,000	**100%**	100%	Property agency services
Beijing Financial Street New City Property Management Co., Ltd. 北京金融街新城物業管理有限責任公司	The PRC	Limited liability company	RMB1,000	**51%**	51%	Property management
Top Property Services Company Limited ("Top Property Services")****	Hong Kong	Limited liability company	HK$5,200	**70%**	—	Property management

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONTINUED)

Particulars of the principal subsidiaries at 31 December 2023 and 2022 are as follows: (Continued)

Name of company*	Country of registration and business	Type of legal entity	Registered share capital '000	Percentage of ownership interest effectively held by the Company 2023	2022	Principal activities
Indirectly held through Beijing Financial Street Savills Property Management Co., Ltd						
Nanjing Financial Street Savills Property Service Co., Ltd.*** 南京金融街第一太平戴維斯物業服務有限公司***	The PRC	Limited liability company	RMB5,612	**41%**	41%	Property management
Beijing Financial Street Savills Jingnan Property Management Co., Ltd.*** 北京金融街第一太平戴維斯京南物業管理有限公司***	The PRC	Limited liability company	RMB5,000	**41%**	41%	Property management
Beijing Financial Street Worldunion Real Estate Management Co., Ltd.*** 北京金融街世聯不動產管理有限公司***	The PRC	Limited liability company	RMB5,000	**41%**	41%	Property management
Hubei Financial Street Savills Property Management Co., Ltd.*** 湖北金融街第一太平戴維斯物業管理有限公司***	The PRC	Limited liability company	RMB5,000	**41%**	41%	Property management
Beijing Dingye Financial Street Savills Property Management Co., Ltd.*** 北京鼎業金融街第一太平戴維斯物業管理有限公司***	The PRC	Limited liability company	RMB5,000	**41%**	41%	Property management
Shandong Financial Street Property Co., Ltd.*** 山東金融街物業有限公司***	The PRC	Limited liability company	RMB5,000	**55%**	0%	Property management
Indirectly held through Beijing Jinxi Litai Hotel Management Co., Ltd.						
Beijing IZEE Mitsuyado Catering Management Co., Ltd. 北京怡己三矢堂餐飲管理有限公司	The PRC	Limited liability company	RMB1,000	**60%**	60%	Catering management
Beijing IZEE Alley Catering Management Co., Ltd. 北京怡己巷子餐飲管理有限公司	The PRC	Limited liability company	RMB500	**100%**	100%	Catering management
Beijing Jintongtai Catering Co., Ltd. 北京金通泰餐飲管理有限公司	The PRC	Limited liability company	RMB500	**100%**	100%	Catering management
Beijing Jinzhenwei Catering Management Co., Ltd. 北京金臻味餐飲管理有限公司	The PRC	Limited liability company	RMB500	**51%**	51%	Catering management
Beijing Yijigou Trading Co., Ltd 北京怡己購商貿有限公司	The PRC	Limited liability company	RMB2,550	**51%**	51%	Catering management

18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

* The official name of these company is in Chinese. The English translation of the name of the company established in the PRC is for reference only.

** Companies not audited by Grant Thornton Hong Kong Limited. The financial statements of the subsidiaries not audited by Grant Thornton Hong Kong Limited reflect total net assets and total revenue constituting approximately 1% and 4% respectively of the related consolidated totals.

*** Beijing Financial Street Savills Property Management Co., Ltd. holds 51% of the equity interests of the companies.

**** The Company was newly acquired during the year 31 December 2023 and refer to note 38 for details.

Notes to the Consolidated Financial Statements (Continued)

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18. PARTICULAR OF PRINCIPAL SUBSIDIARIES (CONTINUED)

The total NCI as 31 December 2023 was RMB57,136,000 (2022: RMB37,119,000 (Restated)). The following table lists out the information relating to Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary of the Company with material NCI. The details and the summarised financial information, before intragroup eliminations, are as follows:

	Beijing Financial Street Savills Property Management Co., Ltd.	
	2023	2022
	RMB'000	*RMB'000*
		(Restated)
Proportion of ownership interests and voting rights held by the NCI	**20%**	20%
Current assets	**400,721**	375,933
Non-current assets	**40,243**	32,907
Current liabilities	**370,263**	285,826
Non-current liabilities	**3,608**	5,451
Net assets	**67,093**	117,563
Carrying amount of NCI	**13,418**	23,512
Revenue	**495,018**	479,377
Expenses	**(441,858)**	(418,352)
Profit and total comprehensive income for the year	**53,160**	61,025
Profit and total comprehensive income attributable to NCI	**10,632**	12,205
Dividend paid to NCI	**20,726**	—
Net cash generated from operating activities	**44,188**	68,236
Net cash used in from investing activities	**(11,114)**	(1,682)
Net cash used in financing activities	**(10,937)**	(47,664)
Net increase in cash and cash equivalents	**22,137**	18,890

Except for Beijing Financial Street Savills Property Management Co., Ltd., the directors consider that the NCI of other non-wholly owned subsidiaries during the years ended 31 December 2023 and 2022 were insignificant to the Group and thus are not separately presented in these consolidated financial statements.

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for the year ended 31 December 2023

19. INTERESTS IN ASSOCIATES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of investments in associates	**9,800**	19,800
Share of post-acquisition gains/(losses) and other comprehensive income/(loss), net of dividends received	**6,404**	(4,123)
	16,204	15,677

The following list contains only the particulars of associates, all of which are unlisted corporate entities whose quoted market prices are not available as at 31 December 2023 and 2022.

Name of associate*	Country of registration and business	Type of legal entity	Registered share capital *RMB'000*	Percentage of ownership interest effectively held 2023	2022	Principal activities
Directly held by the Company						
Beijing Financial Street Insurance Agency Co., Ltd. ("Financial Street Insurance Agency") 北京金融街保險經紀股份有限公司 *(note a)*	The PRC	Limited liability company	50,000	**–**	20%	Insurance agency
Harbin Financial Street Property Management Co., Ltd. 哈爾濱金融街物業管理有限責任公司	The PRC	Limited liability company	3,000	**45%**	45%	Property management and related services
Huai'an Guolian Financial Centre Property Service Co., Ltd. ("Huai'an Guolian") 淮安市國聯金融中心物業服務有限公司 *(note b)*	The PRC	Limited liability company	3,000	**40%**	40%	Property management
Financial Street Shengda (Beijing) Technology Co., Ltd. ("Shengda") 金融街升達(北京)科技有限公司 *(note c)*	The PRC	Limited liability company	20,000	**10%**	10%	Operating financial apps
Beijing Wuyi Rongyu Property Service Co., Ltd. 北京武夷融御物業服務有限公司	The PRC	Limited liability company	1,000	**40%**	40%	Property management
Indirectly held through Beijing Financial Street Savills Property Management Co., Ltd						
Chongqing Jiangbeizui Property Service Co., Ltd. ("Chongqing Jiangbeizui") 重慶市江北嘴物業服務有限公司	The PRC	Limited liability company	6,000	**32%**	32%	Property management
Dongying Financial Street Property Management Co., Ltd. 東營金融街物業管理有限公司	The PRC	Limited liability company	5,000	**39%**	39%	Property management

* The English translation of the name of the company established in the PRC is for reference only. The official name of this company is in Chinese.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

19. INTERESTS IN ASSOCIATES (CONTINUED)

Notes:

(a) Financial Street Insurance Agency was deregistered on 31 December 2023.

(b) In 2022, Huai'an Guolian has a net liability due to consecutive operating losses. The Group is not obliged to bear any additional losses of Huai'an Guolian. Therefore, the carrying amount of long-term equity investments is reduced down to nil in recognising the Group's share of net losses incurred by Huai'an Guolian. The unrecognised investment losses for the year ended 31 December 2022 amount to RMB3,071,000 and as at 31 December 2022, the accumulated unrecognised investment losses are RMB3,611,000. In 2023, Huai'an Guolian has a net asset after commencement of business.

(c) Shengda has a net liability due to consecutive operating losses. The Group is not obliged to bear any additional losses of Shengda. Therefore, the carrying amount of long-term equity investments is reduced down to nil in recognising the Group's share of net losses incurred by Shengda. The unrecognised investment losses for the year ended 31 December 2023 amount to nil (2022: RMB62,000) and as at 31 December 2023, the accumulated unrecognised investment losses are RMB5,996,000 (2022: RMB6,307,000).

Pursuant to the Articles of Association of Shengda, the Group is eligible to appoint one of the three directors of Shengda. By holding the board seat, the Group is able to exercise significant influence over Shengda. As such, Shengda is classified as an associate of the Group.

19. INTERESTS IN ASSOCIATES (CONTINUED)

Set out below are the summarised financial information of each of the material associate which are accounted for using the equity method:

(i) Chongqing Jiangbeizui

	2023 **RMB'000**	2022 RMB'000
Current assets	**52,194**	40,022
Non-current assets	**655**	742
Current liabilities	**(28,721)**	(23,226)
Net assets	**24,128**	17,538
Revenue	**97,179**	92,164
Total expenses	**(90,589)**	(84,731)
Profit and total comprehensive income for the year	**6,590**	7,433
Dividends received from Chongqing Jiangbeizui	**—**	2,565

Reconciliation of the above summarised financial information to the carrying amount of the interest in Chongqing Jiangbeizui is set out below:

	2023 **RMB'000**	2022 RMB'000
Net assets of Chongqing Jiangbeizui	**24,128**	17,538
Proportion of the Group's ownership interest in Chongqing Jiangbeizui	**40%**	40%
Carrying amount of the Group's interest in Chongqing Jiangbeizui	**9,651**	7,015

Notes to the Consolidated Financial Statements (Continued)

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19. INTERESTS IN ASSOCIATES (CONTINUED)

(ii) Financial Street Insurance Agency

	2023 ***RMB'000***	2022 *RMB'000*
Current assets	—	55,809
Non-current assets	—	51
Current liabilities	—	(35,834)
Net assets	—	20,026
Revenue *(note)*	—	—
Total other expenses	—	(734)
Loss and total comprehensive loss for the year	—	(734)

Note: Financial Street Insurance Agency have not commenced operations during the years ended 31 December 2023 and 2022 and was deregistered on 31 December 2023. The Company's interest in Financial Street Insurance Agency of RMB4,062,000 was fully received during the year.

Reconciliation of the above summarised financial information to the carrying amount of the interest in Financial Street Insurance Agency is set out below:

	2023 ***RMB'000***	2022 *RMB'000*
Net assets of Financial Street Insurance Agency	—	20,026
Proportion of the Group's ownership interest in Financial Street Insurance Agency	—	20%
Carrying amount of the Group's interest in Financial Street Insurance Agency	—	4,005

For the year ended 31 December 2023 and 2022, Financial Street Insurance Agency did not declare any dividend.

19. INTERESTS IN ASSOCIATES (CONTINUED)

(iii) Aggregate information of associates that are not individually material:

	2023 **RMB'000**	2022 RMB'000
Aggregate carrying amount of individually immaterial associates in the consolidated financial statements	**6,553**	4,657
Aggregate amounts of the Group's share of those associates:		
Profit for the year	**1,897**	142
Other comprehensive income for the year	**—**	—
Total profit and total comprehensive income for the year	**1,897**	142

The Group has not incurred any contingent liabilities or other commitments relating to its investments in associates.

20. INTERESTS IN JOINT VENTURES

	2023 **RMB'000**	2022 RMB'000
Cost of investments in joint ventures	**2,550**	2,550
Share of post-acquisition profit and other comprehensive income, net of dividends received	**2**	—
	2,552	2,550

Notes to the Consolidated Financial Statements (Continued)

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20. INTERESTS IN JOINT VENTURES (CONTINUED)

As at 31 December 2023 and 2022, details of the Group's interests in joint ventures which are unlisted corporate entities whose quoted market prices are not available, are as follows:

Name of joint venture*	Form of business structure	Country of registration and business	Registered share capital *RMB'000*	Percentage of interest effectively held	Principal activities
Indirectly held through Beijing Financial Street Savills Property Management Co., Ltd					
Dezhou Financial Street Dibiao Zhidu Property Management Co., Ltd. ("Dezhou Financial Street") 德州金融街地標之都物業管理有限責任公司	Co-operative joint venture	The PRC	1,000	41% (2022: 41%)	Property management *(note)*
Beijing Dingye Financial Street Savills Property Management Co., Ltd. ("Beijing Dingye") 北京鼎業金融街第一太平戴維斯物業管理有限公司	Co-operative joint venture	The PRC	5,000	41% (2022: 41%)	Property management *(note)*

* The official name of these company is in Chinese. The English translation of the name of the company established in the PRC is for reference only.

Note:

Dezhou Financial Street and Beijing Dingye were established by Beijing Financial Street Savills Property Management Co., Ltd. and jointly controlled with property management service providers in the PRC. They are strategic partners for the Group's further expansion in the PRC markets.

Dezhou Financial Street have not commenced operations during the year.

The Group has not incurred any contingent liabilities relating to its investments in the joint ventures (2022: Nil).

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

21. GOODWILL

The major changes in the carrying amounts of goodwill result from the acquisition of Top Property Services. The net carrying amount of goodwill can be analysed as follows:

	2023 **RMB'000**	2022 *RMB'000*
At the beginning of year	**325**	325
Acquisition of a subsidiary *(note 38)*	**80,949**	—
Impairment losses	**—**	—
Net carrying amount at 31 December	**81,274**	325

The carrying amount of goodwill, net of any impairment loss, is allocated to the cash generating unit of property management.

The recoverable amount for the cash generating unit was determined based on value-in-use calculations covering a detailed five-year budget plan followed by an extrapolation of expected cash flows at the growth rates of 5% per annum. The growth rates reflect the long-term average growth rates for the property management operation of the cash generating unit. The pre-tax discount rate applied to the cash flow projections was 11.31%.

Apart from the considerations described in determining the value in use of the cash generating units above, the Group's management is not currently aware of any other probable changes that would necessitate changes in its key estimates and could cause the cash generating units' carrying amounts to exceed their recoverable amounts. However, the estimate of recoverable amount of the Group's cash generating unit of household appliances is particularly sensitive to the discount rate applied. The impact from a reasonable change in the discount rate is assessed in note 4 together with other critical accounting estimates and assumptions.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

22. INTANGIBLE ASSETS

	Year ended 31 December 2023			
	Software use rights and brand royalty *RMB'000*	Systems development in progress *RMB'000*	Customer relationships *RMB'000*	Total *RMB'000*
Cost				
At beginning of year	11,440	—	—	11,440
Additions	7,019	—	—	7,019
Acquisition of a subsidiary *(note 38)*	—	—	5,936	5,936
Written off	(1,612)	—	—	(1,612)
At end of year	16,847	—	5,936	22,783
Accumulated amortisation				
At beginning of year	(3,472)	—	—	(3,472)
Amortisation charge for the year	(1,577)	—	(726)	(2,303)
Written off	1,612	—	—	1,612
At end of year	(3,437)	—	(726)	(4,163)
Net book amount				
At end of year	13,410	—	5,210	18,620

	Year ended 31 December 2022		
	Software use rights and brand royalty *RMB'000*	Systems development in progress *RMB'000*	Total *RMB'000*
Cost			
At beginning of year	7,362	3,262	10,624
Additions	—	816	816
Transfer	4,078	(4,078)	—
At end of year	11,440	—	11,440
Accumulated amortisation			
At beginning of year	(2,101)	—	(2,101)
Amortisation charge for the year	(1,371)	—	(1,371)
At end of year	(3,472)	—	(3,472)
Net book amount			
At end of year	7,968	—	7,968

The amortisation charge for the year is included in "administrative expenses" in the consolidated statement of profit or loss and other comprehensive income.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

23. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
— related parties	**89,732**	132,083
— third parties	**202,012**	124,368
	291,744	256,451
Less: ECL allowance of trade receivables	**(21,126)**	(13,854)
Trade receivables, net	**270,618**	242,597

The directors of the Group consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The credit terms given to trade customers are determined on an individual basis with normal credit period ranged from 0–365 days (2022: 0–365 days).

The ageing analysis of the trade receivables before loss allowances as at 31 December 2023 and 2022 based on the invoice date is as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**194,931**	179,681
1–2 years	**47,845**	44,863
2–3 years	**22,138**	27,612
Over 3 years	**26,830**	4,295
Total	**291,744**	256,451

The movement in the ECL allowance of trade receivables is as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**13,854**	10,246
ECL allowance recognised during the year	**9,707**	3,802
Amount written off during the year	**(2,435)**	(194)
Balance at 31 December	**21,126**	13,854

Notes to the Consolidated Financial Statements (Continued)

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24. PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Prepaid operating expenses	**14,918**	7,834
Prepayments for acquisition of long term assets	**1,858**	634
Prepaid income tax	**10**	66
Input VAT to be deducted	**4,293**	5,489
Others	**—**	34
	21,079	14,057
Less: non-current portion *(note)*	**(1,858)**	(634)
	19,221	13,423

Note: This balance represents the prepayments for acquisition of long-term assets.

25. OTHER FINANCIAL ASSETS AT AMORTISED COST

	2023			2022		
	Current RMB'000	Non-current RMB'000	Total RMB'000	Current RMB'000	Non-current RMB'000	Total RMB'000
Finance lease receivables	**7,137**	**19,494**	**26,631**	5,379	21,849	27,228
Loan and interest receivable from an associate	**—**	**—**	**—**	—	6,886	6,886
Payments on behalf of property owners, tenants and property developers	**25,258**	**—**	**25,258**	12,370	—	12,370
Deposits						
— Related parties	**2,949**	**—**	**2,949**	2,618	—	2,618
— Third parties	**16,188**	**—**	**16,188**	8,749	—	8,749
Amount due from an NCI	**—**	**25,017**	**25,017**	—	—	—
Other	**2,036**	**—**	**2,036**	1,165	—	1,165
	53,568	**44,511**	**98,079**	30,281	28,735	59,016
Less: ECL allowance	**(991)**	**(695)**	**(1,686)**	(560)	(774)	(1,334)
	52,577	**43,816**	**96,393**	29,721	27,961	57,682

The amount due from an associate is unsecured, interest bearing at 4.65% and not repayable within the next 12 months from the reporting date.

The amount due from an NCI was secured by the retained consideration payables (note 38) to the NCI, interest free and repayable before year 2025.

25. OTHER FINANCIAL ASSETS AT AMORTISED COST (CONTINUED)

The Group has entered into lease arrangements as a lessor that are considered to be finance leases. The Group leases properties and as they transfer substantially all of the risks and rewards of ownership of these properties they are classified as finance leases.

The maturity analysis of finance lease receivables, including the undiscounted lease payments to be received are as follows:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**8,134**	6,434
1–2 years	**8,134**	6,434
2–3 years	**8,134**	6,434
Over 3 years	**4,290**	10,723
Total undiscounted lease payments receivable	**28,692**	30,025
Unearned finance income	**(2,061)**	(2,797)
Present value of finance lease receivables	**26,631**	27,228

The movement in the ECL allowance is as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at 1 January	**1,334**	445
ECL allowance recognised during the year	**352**	889
Balance at 31 December	**1,686**	1,334

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

26. CASH AND CASH EQUIVALENTS AND RESTRICTED BANK DEPOSITS

Cash and cash equivalents include the following components:

	2023	2022
	RMB'000	*RMB'000*
Cash and cash equivalents:		
— Cash at bank and in hand	**1,078,106**	1,181,465
— Cash deposits in a fellow subsidiary *(note 37 and note a)*	**238,093**	262,480
	1,316,199	1,443,945
Time deposits with the maturity over three months:		
— Time deposits in a fellow subsidiary *(note 37, note a and note b)*	**80,600**	37,000
— Time deposits in banks *(note b)*	**34,504**	201
	115,104	37,201
Restricted bank deposits *(note c)*	**70,356**	63,878
	1,501,659	1,545,024

Notes:

(a) The fellow subsidiary is Beijing Financial Street Group Finance Company Limited.

(b) The time deposits in a fellow subsidiary earn 2.05% to 2.25% interest per annum (2022: 2.25%) and have a maturity of half to one year (2022: one year).

The time deposits in bank earn 1.65% to 2.10% interest per annum (2022: 1.75%) and have a maturity of one year.

(c) When the Group is contracted to manage properties under commission basis, the Group essentially acts as an agent of the property owners. Restricted bank deposits represent cash deposited in banks as joint accounts with property owners, including (i) the property management fees the Group collected from the projects under commission basis, and (ii) maintenance services deposits according to the relevant regulations.

(d) As at 31 December 2023, restricted bank deposits mainly represent the cash deposits in banks as performance security for property management services according to the requirements of local government authorities amounting to RMB42,282,000 (2022: RMB53,876,000) and maintenance fund held on behalf of the residents amounting to RMB23,094,000 (2022: RMB10,002,000) respectively.

(e) Included in cash and balances with banks and a fellow subsidiary of the Group is RMB1,481,982,000 (2022: RMB1,544,191,000) of bank balances denominated in RMB placed with banks in the PRC. RMB is not a freely convertible currency. Under the PRC's Foreign Exchange Control Regulations and Administration of Settlement and Sales and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for foreign currencies through banks that are authorised to conduct foreign exchange business

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

27. SHARE CAPITAL

	2023		2022	
	Number of shares ***'000***	***RMB'000***	Number of shares *'000*	*RMB'000*
Issued and fully paid				
Balance as at 1 January and 31 December	**373,500**	**373,500**	373,500	373,500

28. RESERVES

28.1 Capital reserve

The capital reserve of the Group includes the share premium and the consideration in excess of the paid-in capital upon capital injection on and the difference between the consideration and net asset acquired by the Company for the further acquisition of NCI in subsidiaries.

28.2 Statutory reserve

In accordance with the relevant laws and regulations of the PRC and the Articles of Association of the Company, when distributing the net profit of each year, the Company shall appropriate 10% of its profit after taxation (based on the Company's local statutory financial statements) for the statutory surplus reserve fund (except where the reserve balance has reached 50% of the Company's registered capital).

As at 31 December 2023, the Group's retained earnings included PRC subsidiaries' statutory surplus reserve of RMB57,902,000 (2022: RMB41,374,000 (Restated)).

The statutory surplus reserves can be used to make up for the loss or increase the paid in capital after approval from the shareholders and are not distributable as cash dividends.

28.3 Exchange reserve

The exchange reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movements in this account are set out in the consolidated statement of changes in equity.

28.4 Other reserve

The other reserve represents actuarial gains and losses after tax from experience adjustments and changes in actuarial assumptions for the defined benefit plan.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

29. LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities:

	2023 RMB'000	2022 RMB'000
Total minimum lease payments:		
Due within one year	**20,362**	31,551
Due in the second to fifth year	**36,463**	55,002
	56,825	86,553
Future finance charges on leases liabilities	**(3,920)**	(6,747)
Present value of leases liabilities	**52,905**	79,806

	2023 RMB'000	2022 RMB'000
Present value of minimum lease payments:		
Due within one year	**18,398**	28,475
Due in the second to fifth year	**34,507**	51,331
	52,905	79,806
Less:		
Portion due within one year included under current liabilities	**(18,398)**	(28,475)
Portion due after one year included under non-current liabilities	**34,507**	51,331

As at 31 December 2023, lease liabilities amounting to RMB52,905,000 (2022: RMB79,806,000) are effectively secured by the related underlying assets as the rights to the leased asset would be reverted to the lessor in the event of default by repayment by the Group.

During the year ended 31 December 2023, the total cash outflows for the leases are RMB45,810,000 (2022: RMB42,793,000).

29. LEASE LIABILITIES (CONTINUED)

Details of the lease activities

As at 31 December 2023 and 2022, the Group has entered into leases for office premises, staff quarters and restaurants.

Types of right-of-use assets	Financial statements items of right-of-use assets included in	Number of leases	Range of remaining lease term	Particulars
Staff quarters	Right-of-use assets	14 (2022: 27)	1 to 3 years (2022: 2 to 4 years)	Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract Leases subject to monthly/quarterly/annually rental payment
Office premises	Right-of-use assets	7 (2022: 14)	1 to 3 years (2022: 2 to 5 years)	Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract Leases subject to monthly/quarterly/annually rental payment
Restaurants	Right-of-use assets	6 (2022: 10)	2 to 5 years (2022: 2 to 5 years)	Certain contracts contain an option to renew the lease for additional years after the end of the contract by giving notice to landlord before the end of the contract Leases subject to monthly/quarterly/annually rental payment

The Group considered that no extension option or termination option would be exercised at the lease commencement date.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

30. DEFERRED TAX ASSETS/(LIABILITIES)

The movement during the year in the deferred tax assets/(liabilities) is as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
At beginning of year	**16,417**	2,720
Adjustment from the adoption of Amendments to HKAS 12 *(note 3.1)*	**—**	(378)
At beginning of year (Restated)	**16,417**	2,342
Acquisition of a subsidiary *(note 38)*	**(979)**	—
Credited to income tax expense *(note 11)*	**4,466**	14,082
Charged to other comprehensive income	**71**	(7)
At end of year	**19,975**	16,417

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same taxation jurisdiction) during the year is as follows:

	Accrued expenses and others RMB'000	Retirement benefit obligations RMB'000	Impairment losses RMB'000	Leases RMB'000	Fair value gain of derivative financial instruments RMB'000	Excess of value of intangible assets identified in business combination RMB'000	Total RMB'000
As at 1 January 2022	3,370	1,237	2,592	539	(4,567)	(451)	2,720
Adjustment from the adoption of Amendments to HKAS 12 *(note 3.1)*	—	—	—	(378)	—	—	(378)
As at 1 January 2022 (Restated)	3,370	1,237	2,592	161	(4,567)	(451)	2,342
Credited/(Charged) to income tax expense	8,785	(44)	1,150	(466)	4,567	90	14,082
Charged to other comprehensive income	—	(7)	—	—	—	—	(7)
As at 31 December 2022 (Restated) and 1 January 2023	**12,155**	**1,186**	**3,742**	**(305)**	**—**	**(361)**	**16,417**
Acquisition of a subsidiary *(note 38)*	**—**	**—**	**—**	**—**	**—**	**(979)**	**(979)**
Credited/(Charged) to income tax expense	**2,658**	**(41)**	**1,691**	**9**	**—**	**149**	**4,466**
Credited to other comprehensive income	**—**	**71**	**—**	**—**	**—**	**—**	**71**
As at 31 December 2023	**14,813**	**1,216**	**5,433**	**(296)**	**—**	**(1,191)**	**19,975**

30. DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The amounts recognised in the consolidated statement of financial position are as follows:

	2023 **RMB'000**	2022 RMB'000 (Restated)
Deferred tax assets	**21,167**	16,778
Deferred tax liabilities	**(1,192)**	(361)
	19,975	16,417

Deferred tax assets are recognised for tax losses and deductible temporary differences carry forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31 December 2023, the Group had tax losses and deductible temporary differences of RMB46,437,000 (2022: RMB38,423,000) and RMB3,693,000 (2022: RMB4,228,000) to carry forward respectively, which were not recognised as deferred tax assets as the directors of the Group considered that the utilisation of these tax benefit in the foreseeable future is not probable. The tax losses will expire through year 2024 to 2028 (2022: will expire in year 2024 to 2027).

31. RETIREMENT BENEFIT OBLIGATIONS

The Group has implemented a retirement benefit plan to employees in the PRC who were retired on or before 1 January 2020. Such supplementary pension subsidies are considered to be defined benefit plans as the Group is obligated to provide post-employment benefits to these employees.

According to the plans, such employees after retirement can enjoy retirement pension, welfare allowance, part of medical expenses claim, living expenses and insurance and housing fund and other benefits. The employees' lifetime is guaranteed by the plans.

The Group is not obligated to provide post-employment benefits to incumbent employees.

The most recent actuarial valuation as at 31 December 2023 and 2022 was performed by an independent qualified actuarial firm, Towers Watson. The present value, related current service cost and past service cost of the Group's retirement benefit plan obligation are prepared by qualified actuary using the projected unit credit actuarial cost method.

The retirement benefit obligations recognised in the consolidated statement of financial position are as follows:

	2023 **RMB'000**	2022 RMB'000
Pension subsidies	**5,479**	5,347
Less: Amounts due within one year included in current liabilities	**(338)**	(342)
	5,141	5,005

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The movements in the liability recognised in the consolidated statement of financial position are as follows:

	2023 RMB'000	2022 RMB'000
At beginning of year	**5,347**	5,609
Current service cost	**—**	2
Past service cost	**2**	2
Interest cost on defined benefit obligations	**155**	163
Total cost	**157**	167
Other comprehensive loss/(income) — actuarial gain and loss	**311**	(59)
Payment made in the year	**(336)**	(370)
At end of year	**5,479**	5,347

The principal actuarial assumptions at the end of each reporting period are as follows:

	2023	2022
Discount rate	**2.50%**	3.00%
Employee withdrawal rate	**17.00%**	17.00%
Mortality rate	***Note***	*Note*

Note: Mortality rates for male and female are made reference to the China Life Insurance Mortality Table (2010–2013) published by the China Insurance Regulatory commission in 2016.

The sensitivity of the retirement benefit obligations to changes in the weighted principal assumptions are:

	Impact on defined benefit obligation		
	Change in assumption	Impact on change charge in obligation if increase in assumption RMB'000	Impact on change in obligation if decrease in assumption RMB'000
31 December 2023			
Discount rate	**0.25%**	**(146)**	**152**
Employee withdrawal rate	**1%**	**(1)**	**1**
31 December 2022			
Discount rate	0.25%	(147)	142
Employee withdrawal rate	1%	(1)	1

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

31. RETIREMENT BENEFIT OBLIGATIONS (CONTINUED)

The weighted average duration of the retirement benefit obligations is 11 years.

Expected maturity analysis of undiscounted pension subsidies:

	Less than 1 year *RMB'000*	Between 1–5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
At 31 December 2023				
Pension subsidies	**338**	**1,642**	**5,408**	**7,388**
At 31 December 2022				
Pension subsidies	342	1,645	5,697	7,684

32. LONG SERVICE PAYMENTS OBLIGATIONS

Pursuant to the Hong Kong Employment Ordinance, Chapter 57, Hong Kong employees that have been employed continuously for at least five years are entitled to Long Service Payment ("LSP") under certain circumstances (e.g. dismissal by employers or upon retirement).

The amount of LSP payable is determined with reference to the employee's last monthly salary (capped at HK$22,500) and the years of service, reduced by the amount of any accrued benefits derived from the Group's contributions to MPF scheme (see note 14), with an overall cap of HK$390,000 per employee. Currently, the Group does not have any separate funding arrangement in place to meet its LSP obligations.

In June 2022, the Government gazetted the Amendment Ordinance, which abolishes the use of the accrued benefits derived from employers' mandatory MPF contributions to offset the LSP. The Amendment Ordinance will take effect on the Transition Date. Separately, the Government has indicated that it would launch a subsidy scheme to assist employers after the abolition.

Among other things, once the abolition of the offsetting mechanism takes effect, an employer can no longer use any of the accrued benefits derived from its mandatory MPF contributions (irrespective of the contributions made before, on or after the Transition Date) to reduce the LSP in respect of an employee's service from the Transition Date. However, where an employee's employment commenced before the Transition Date, the employer can continue to use the above accrued benefits to reduce the LSP in respect of the employee's service up to that date. In addition, the LSP in respect of the service before the Transition Date will be calculated based on the employee's monthly salary immediately before the Transition Date and the years of service up to that date.

The benefit payment under LSP remains capped at HK$390,000 per employee. If an employee's total benefit payment exceeds HK$390,000, the amount in excess of the cap is deducted from the portion accrued from the Transition Date.

The Group has accounted for the offsetting mechanism and its abolition as disclosed in notes 2.21 and 3.3 to the consolidated financial statements.

The Group has determined that the Amendment Ordinance primarily impacts the Group's LSP obligations with respect to Hong Kong employees.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

33. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables *(note a)*	**191,913**	178,246
Other payables		
— Receipts on behalf of property owners, tenants and property developers	**188,320**	190,123
— Deposits *(note b)*	**87,670**	97,161
— Accruals	**3,216**	3,444
— Others	**6,561**	6,095
Payroll and welfare payables	**84,630**	68,806
Consideration payables related to acquisition of a subsidiary *(note c)*	**25,605**	—
Dividend payable	**11,205**	—
Other tax payables	**6,980**	7,156
	606,100	551,031
Less: non-current portion		
Consideration payables related to acquisition of a subsidiary *(note c)*	**(25,605)**	—
Current portion	**580,495**	551,031

Notes:

(a) The Group was granted by its suppliers credit periods ranging from 0–180 days (2022: 0–180 days). Based on the invoice dates, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	2023 RMB'000	2022 RMB'000
Within 1 year	**177,278**	166,754
1–2 years	**6,538**	4,903
Over 2 years	**8,097**	6,589
	191,913	178,246

(b) The balances mainly represent the deposits paid by the property owners, tenants and property developers for property management and refurbishment.

(c) The consideration payable referred to the balance sum of the consideration payable to the existing shareholder of a subsidiary acquired during the financial year (note 38). The consideration is payable subject to the subsidiary achieving certain performance targets and will be settled after 2025.

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

34. CONTRACT LIABILITIES

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

	2023 RMB'000	2022 RMB'000
Contract liabilities arising from property management and related services		
— related parties	**7,293**	4,915
— third parties	**104,349**	99,387
	111,642	104,302
Contract liabilities arising from catering services		
— related parties	**438**	409
— third parties	**4,912**	7,009
	5,350	7,418
	116,992	111,720

(a) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided.

The contract liabilities increased during the year ended 31 December 2023 mainly due to the growth in the number of property management projects as a result of the Group's business expansion. The contract liabilities decreased during the year ended 31 December 2022 mainly due to the decrease in prepayment received from customers at the end of the year.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

34. CONTRACT LIABILITIES (CONTINUED)

(b) Revenue recognised in relation to contract liabilities

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

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year		
Property management and related services	**99,449**	125,527
Catering services	**6,234**	5,312
	105,683	130,839

All contract liabilities are expected to be recovered/settled within one to two years.

(c) Unsatisfied performance obligations

For property management and related services, the Group recognises revenue in the amount that equals to the right to invoice which corresponds directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts. For catering services which are rendered in short period of time less than one year, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

	2023	2022
	RMB'000	*RMB'000*
		(Restated)
ASSETS		
Non-current assets		
Investment properties	**3,256**	3,365
Property, plant and equipment	**30,199**	30,795
Interests in subsidiaries	**187,465**	46,684
Interests in associates	**3,971**	6,086
Intangible assets	**1,683**	1,442
Prepayments	**449**	634
Other financial assets at amortised cost	**15,660**	27,961
Deferred tax assets	**19,949**	15,907
Total non-current assets	**262,632**	132,874
Current assets		
Trade receivables	**152,016**	156,599
Prepayments	**2,306**	6,622
Other financial assets at amortised cost	**29,201**	20,425
Dividend receivables from subsidiaries	**88,923**	3,211
Amounts due from subsidiaries	**55,417**	50,251
Bank deposits with the maturity over three months	**115,004**	37,201
Restricted bank deposits	**41,966**	53,294
Cash and cash equivalents	**832,870**	995,564
Total current assets	**1,317,703**	1,323,167
Total assets	**1,580,335**	1,456,041

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

	Note	2023 RMB'000	2022 RMB'000 (Restated)
EQUITY AND LIABILITIES			
Share capital	27	**373,500**	373,500
Reserves		**625,434**	609,106
Retained earnings		**221,632**	133,757
Total equity *(note)*		**1,220,566**	1,116,363
Non-current liabilities			
Trade and other payables		**25,605**	—
Lease liabilities		**16,022**	24,568
Retirement benefit obligations		**4,253**	4,137
Total non-current liabilities		**45,880**	28,705
Current liabilities			
Trade and other payables		**249,511**	228,832
Contract liabilities		**48,278**	45,634
Current tax liabilities		**6,041**	23,652
Current portion of lease liabilities		**9,782**	12,579
Current portion of retirement benefit obligations		**277**	276
Total current liabilities		**313,889**	310,973
Total liabilities		**359,769**	339,678
Total equity and liabilities		**1,580,335**	1,456,041

Approved and authorised for issue by the Board of Directors on 27 March 2024.

Sun Jie
Director

Song Ronghua
Director

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

35. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (CONTINUED)

Note:

The movement of the Company's equity are as follows:

	Share capital *RMB'000* *(note 27)*	Capital reserve *RMB'000* *(note 28.1)*	Statutory reserve *RMB'000* *(note 28.2)*	Other reserve *RMB'000* *(note 28.4)*	Retained earnings *RMB'000*	Total equity *RMB'000*
Balance at 1 January 2022	373,500	568,780	31,735	(1,045)	130,192	1,103,162
Adjustment from the adoption of amendments to HKAS 12 *(note 3.1)*	—	—	—	—	(271)	(271)
Balance at 1 January 2022. (Restated)	373,500	568,780	31,735	(1,045)	129,921	1,102,891
Profit and total comprehensive income for the year	—	—	—	(3)	96,392	96,389
Dividend declared *(note 12)*	—	—	—	—	(82,917)	(82,917)
Appropriation of statutory reserve	—	—	9,639	—	(9,639)	—
Balance at 31 December 2022 and 1 January 2023	**373,500**	**568,780**	**41,374**	**(1,048)**	**133,757**	**1,116,363**
Profit and total comprehensive income for the year	**—**	**—**	**—**	**(200)**	**165,284**	**165,084**
Dividend declared *(note 12)*	**—**	**—**	**—**	**—**	**(60,881)**	**(60,881)**
Appropriation of statutory reserve	**—**	**—**	**16,528**	**—**	**(16,528)**	**—**
Balance at 31 December 2023	**373,500**	**568,780**	**57,902**	**(1,248)**	**221,632**	**1,220,566**

36. COMMITMENTS

(a) Lease commitments

The Group as lessee

At the end of reporting period, the lease commitments for short-term leases and leases of low value items are as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Within one year	**390**	332
In the second to fifth year	**68**	74
	458	406

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

36. COMMITMENTS (CONTINUED)

(a) Lease commitments (Continued)

The Group as lessee (Continued)

As at 31 December 2023, the Group leases various office premises, staff quarters and restaurants under non-cancellable operating leases expiring within two to five years (2022: two to eight years). The leases have varying terms and renewal rights. On renewal, the terms of the leases are renegotiated.

The Group has recognised right-of-use assets for these leases, except for short-term leases and leases of low value items, see notes 16 and 17 for further information.

The Group as lessor

At 31 December 2023 and 2022, the Group had future aggregate minimum lease receipts under non-cancellable operating leases in respect of various offices and stores as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**7,804**	9,030

The Group leases its investment properties (note 16) under operating lease arrangements which run for an initial period of two to three years (2022: two to three years), with an option to renew the lease terms at the expiry date or at dates as mutually agreed between the Group and the respective tenants. The terms of the leases generally also require the tenants to pay security deposits.

The Groups also subleased certain properties whose lease terms were for the whole of the remaining term of the head leases and had classified the subleases as finance leases.

36. COMMITMENTS (CONTINUED)

(b) Capital commitments

	2023	2022
	RMB'000	*RMB'000*
Contracted but not provided for		
— Investments in subsidiaries	**2,550**	—
— Investments in joint ventures	**510**	510
	3,060	510

37. RELATED PARTY TRANSACTIONS

Except as disclosed in elsewhere, the Group entered into the following transactions with related parties as follows:

(a) Key management personnel compensation

Key management of the Group are members of the board of directors, as well as members of the "management board" of the parent company. Key management personnel remuneration includes the following expenses:

	2023	2022
	RMB'000	*RMB'000*
Salaries and allowances	**3,769**	3,902
Discretionary bonuses	**3,329**	3,225
Retirement scheme contributions	**2,024**	1,858
	9,122	8,985

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

The following transactions are carried out with related parties:

	2023 *RMB'000*	2022 *RMB'000*
Provision of services		
Provision of property management and related services to the Financial Street Affiliates Group *(i)*	**180,303**	207,837
Provision of property management and related services to associates	**3,411**	3,195
Provision of property management and related services to the holding company of the Company's shareholder	**860**	787
	184,574	211,819
Finance income		
Interest income from a fellow subsidiary *(i)*	**5,073**	6,866
Purchase of services and brand license		
Brand licensing from the ultimate holding company	**104**	94
Purchase of services from an associate	**1,898**	2,272
Purchase of services from the Financial Street Affiliates Group	**4,513**	3,490
	6,515	5,856
Rentals		
Rental expenses to fellow subsidiaries *(i)*	**4,159**	2,690
Recognition of right-of-use assets and leased assets from fellow subsidiaries *(i)*	**12,771**	48,785
	16,930	51,475
Interest expenses		
Interest expenses for lease liabilities to fellow subsidiaries	**2,273**	2,343

(i) These transactions constitute connected transactions or continuing connected transactions under the Listing Rules.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

37. RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Balances with related parties

	2023 RMB'000	2022 RMB'000
Trade in nature		
Trade receivables from the Financial Street Affiliates Group	**86,715**	129,033
Trade receivables from an associate	**1,408**	207
	88,123	129,240
Other receivables from the Financial Street Affiliates Group — Rental deposits	**2,946**	2,616
Trade and other payables to the Financial Street Affiliates Group	**34,483**	31,147
Trade and other payables to an associate	**553**	1,260
	35,036	32,407
Contract liabilities to the Financial Street Affiliates Group	**7,673**	5,257
Contract liabilities to an associate	**6**	—
	7,679	5,257
Lease liabilities to fellow subsidiaries	**20,067**	30,769
Deposit placed with a fellow subsidiary	**318,693**	299,480

Other receivables due from fellow subsidiaries mainly consist of rental deposits, which were ongoing and occurred in the ordinary course of the business.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

38. ACQUISITION OF A SUBSIDIARY

Subsidiary acquired

	Principal activity	Date of acquisition	Proportion of shares acquired	Consideration transferred *RMB'000*
2023				
Business combination				
Top Property Services	Property Management	30 September 2023	70%	140,781

Top Property Service was acquired so as to continue the expansion of the Group's property management operations.

Consideration transferred

	RMB'000
Cash	**115,478**
Present value of the retained consideration payables *(note 33 (c))*	**25,303**
	140,781

Acquisition-related costs amounting to RMB2,362,000 have been excluded from the consideration transferred and have been recognised as other expenses in the consolidated statement of profit or loss and other comprehensive income.

Performance targets

The existing shareholder of Top Property Services undertakes performance targets that:

(i) the accumulated revenue for the four years ended/ending 31 December 2022, 2023, 2024 and 2025 ("Year 2022–2025") shall not be less than HK$625,117,504; and

(ii) the accumulated actual net profit excluding non-recurring gains after tax for Year 2022–2025 shall not be less than HK$72,460,419 ("profit guarantee").

The compensation of shortfall shall be calculated (whichever is higher) as follows:

(i) Total consideration x (HK$625,117,504 — the accumulated revenue for Year 2022–2025)/ HK$625,117,504; or

(ii) Total consideration x (HK$72,460,419 — the accumulated actual net profit excluding non-recurring gains after tax Year 2022–2025)/HK$72,460,419.

The existing shareholder of Top Property Services will be awarded a one-off-performance incentive of 40% of amount in excess of profit guarantee, after achieving performance targets.

38. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Performance targets (Continued)

Details of the investment agreement were set out in the Group's announcement dated 21 March 2023. The Directors of the Group consider the fair value of the contingent consideration payable and contingent consideration receivable arising from the performance targets as at the acquisition date and at 31 December 2023 was insignificant by reference to a cash flow forecast prepared by the Directors.

Assets acquired and liabilities recognised at the date of acquisition

	RMB'000
Property, plant and equipment *(note 17)*	**2,143**
Intangible assets *(note 22)*	**5,936**
Trade receivables	**38,898**
Prepayments	**3,878**
Other financial assets at amortised cost	**29,993**
Restricted bank deposits	**10,121**
Cash and cash equivalents	**9,876**
Trade and other payables	**(13,552)**
Lease liabilities	**(840)**
Deferred tax liabilities *(note 30)*	**(979)**
	85,474

The trade receivables and other financial assets at amortised cost (which principally comprised amount due from the existing shareholder of Top Property Services) acquired in these transactions with a fair value of RMB38,898,000 and RMB29,993,000 respectively had gross contractual amounts of RMB38,898,000 and RMB29,993,000 respectively.

Non-controlling interests

The NCI (30%) in Top Property Services recognised at the acquisition date was measured by reference to the fair value of the NCI and amounted to RMB25,642,000. This fair value was estimated by applying an income approach. The following were the key model inputs used in determining the fair value:

- assumed pre-tax discount rate of 11.31%;
- assumed long-term sustainable growth rate of 5%; and
- assumed adjustments because of the lack of control or lack of marketability that market participants would consider when estimating the fair value of the NCI in Top Property Services.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

38. ACQUISITION OF A SUBSIDIARY (CONTINUED)

Goodwill arising on acquisition

	RMB'000
Consideration transferred	**140,781**
NCI (30% in Top Property Services)	**25,642**
Fair value of identifiable net assets acquired	**(85,474)**
Goodwill arising on acquisition	**80,949**

Goodwill arose in the acquisition of Top Property Services as the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Top Property Services. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

Net cash outflow on acquisition of subsidiaries

	2023 *RMB'000*
Consideration paid in cash	**115,478**
Cash and cash equivalent acquired	**(9,876)**
	105,602

Impact of acquisitions on the results of the Group

Included in the profit for the year is RMB2,514,000 attributable to the additional business generated by Top Property Services. Revenue for the year includes RMB26,906,000 in respect of Top Property Services.

If the acquisition had occurred on 1 January 2023, the Group's revenue would have been RMB1,602,603,000 and profit for the year from continuing operations would have been RMB150,707,000 for the year ended 31 December 2023. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

39. NON-CASH TRANSACTIONS

The Group entered into the following non-cash investing and financing activities which are not reflected in the consolidated statement of cash flows:

During the year ended 31 December 2023, the Group entered into certain lease contracts in which additions to right-of-use assets and lease liabilities amounting to RMB5,316,000 (2022: RMB26,543,000) was recognised at the lease commencement date; and

During the year ended 31 December 2023, the Group entered into a sublease contract with an independent third party under finance lease in which disposal of right-of-use assets, loss from disposals of right-of-use assets and finance lease receivables amounting to RMB5,576,000, RMB60,000 (note 8) and RMB5,632,000 were recognised respectively at the lease commencement date.

During the year ended 31 December 2022, the Group entered into a head lease contract with a fellow subsidiary in which additions to right-of-use assets and lease liabilities amounting to RMB26,130,000 was recognised at the lease commencement date. Meanwhile the Group entered into a sublease contract with an independent third party under finance lease in which gain from disposals of right-of-use assets and finance lease receivables amounting to RMB2,735,000 (note 8) and RMB28,865,000 were recognised respectively at the lease commencement date.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

40. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The changes in the Group's liabilities arising from financing activities can be classified as follows:

	Lease liabilities *RMB'000*	Amount due to owner of the Company *RMB'000*	Amount due to NCI *RMB'000*	Total *RMB'000*
At 1 January 2022	57,526	—	—	57,526
Non-cash:				
— Dividend declared *(note 12)*	—	82,917	—	82,917
— Entering into new leases	52,673	—	—	52,673
— Lease termination	(5,074)	—	—	(5,074)
— Finance costs *(note 9)*	3,597	—	—	3,597
Cash flows:				
— Repayment	—	(82,917)	—	(82,917)
— Payment of lease liabilities	(28,916)	—	—	(28,916)
At 31 December 2022 and 1 January 2023	**79,806**	**—**	**—**	**79,806**
Non-cash:				
— Dividend declared *(note 12)*	**—**	**60,881**	**20,726**	**81,607**
— Acquisition of a subsidiary *(note 38)*	**840**	**—**	**—**	**840**
— Entering into new leases	**10,891**	**—**	**—**	**10,891**
— Lease termination	**(11,786)**	**—**	**—**	**(11,786)**
— Finance costs *(note 9)*	**3,068**	**—**	**—**	**3,068**
Cash flows:				
— Repayment	**—**	**(60,881)**	**(9,521)**	**(70,402)**
— Payment of lease liabilities	**(29,914)**	**—**	**—**	**(29,914)**
At 31 December 2023	**52,905**	**—**	**11,205**	**64,110**

41. FINANCIAL RISK MANAGEMENT

The Group is exposed to financial risks through its use of financial instruments in its ordinary course of operations and in its investment activities. The financial risks include market risk (including foreign currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors manage and monitor these exposures to ensure appropriate measures are implemented on a timely and effective manner.

There has been no change to the types of the Group's exposure in respect of financial instruments or the manner in which it manages and measures the risks.

41.1 Categories of financial assets and liabilities

The carrying amounts presented in the consolidated statement of financial position relate to the following categories of financial assets and financial liabilities:

	2023 RMB'000	2022 RMB'000
Financial assets		
Financial assets at amortised cost		
— Trade receivables	**270,618**	242,597
— Other financial assets at amortised cost	**96,393**	57,682
— Bank deposits with the maturity over three months	**115,104**	37,201
— Restricted bank deposits	**70,356**	63,878
— Cash and cash equivalents	**1,316,199**	1,443,945
	1,868,670	1,845,303
Financial liabilities		
Financial liabilities at amortised cost		
— Trade and other payables	**587,915**	543,875
— Lease liabilities	**52,905**	79,806
	640,820	623,681

41.2 Foreign currency risk

The Group operates in the PRC and Hong Kong. The Group's businesses are principally conducted in RMB and Hong Kong dollars ("HK$"). Foreign exchange risk arises from a foreign currency deposit account and commercial transactions, recognised assets and liabilities, which are denominated in HK$ that is not the functional currency of the Group entities.

The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.2 Foreign currency risk (Continued)

Foreign currency denominated financial assets and liabilities, translated into RMB at the closing rates, are as follows:

	2023 HK$ RMB'000	2022 HK$ RMB'000
Trade and other receivables	**85,627**	—
Cash and cash equivalents	**19,160**	325
Trade and other payables	**(29,517)**	—
Lease liabilities	**(711)**	—
Gross exposure arising from recognised financial assets and liabilities	**74,559**	325

As at 31 December 2023, if RMB had weakened/strengthened by 8% (2022: 13%) against the HK dollar with all other variables held constant, post tax profit would have increased/decreased by RMB5,154,000 (2022: RMB32,000).

41.3 Interest rate risk

Interest rate risk relates to the risk that the fair value or cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's interest rate risk mainly arises from bank deposits with the maturity over three months, restricted bank deposits, cash and cash equivalents, lease liabilities and loans to related parties. Restricted bank deposits and cash and cash equivalents at variable rates expose the Group to cash flow interest rate risk. Bank deposits with the maturity over three months, lease liabilities and loan to related parties at fixed rates expose the Group to fair value interest rate risk. The Group closely monitors trend of interest rate and its impact on the Group's interest rate risk exposure. The Group currently has not used any interest rate swap arrangements but will consider hedging interest rate risk should the need arise.

As at 31 December 2023 and 2022, the Group's exposure to interest rate is considered immaterial.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk

Credit risk refers to the risk that the counterparty to a financial instrument would fail to discharge its obligation under the terms of the financial instrument and cause a financial loss to the Group. The Group's exposure to credit risk mainly arises from granting credit to customers in the ordinary course of its operations and from its investing activities.

The Group's maximum exposure to credit risk for the components of the consolidated statement of financial position at 31 December 2023 and 2022 is the carrying amount as disclosed in note 41.1 above.

Trade receivables

The Group has a large number of customers. As at 31 December 2023, 11% (2022: 9%) of the total trade receivables were due from the Group's largest customer and 31% (2022: 52%) of the total trade receivables were due from Financial Street Affiliates Group respectively. The Group has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. Internal risk control assesses the credit quality of the customers, taking into account their financial position, past experience and other factors. In addition, the Group reviews the recoverability of these receivables at the end of each reporting period based on historical settlements records and experience and adjusts for forward-looking information, to ensure that adequate impairment losses are made for irrecoverable amounts.

The Group applies the simplified approach to providing for ECL prescribed by HKFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and ageing periods.

The expected loss rates are based on the historical credit losses and adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company has identified economic policies, macroeconomic conditions, industry risks, probabilities of default and expected operating performance of the debtors in which it sells its services to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

In applying the forward-looking information, the Group has taken into account the possible impacts associated with the overall change in the economic environment, including the default rates in which the relevant debtors operates.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk (Continued)

Trade receivables (Continued)

On that basis, the loss allowance as at 31 December 2023 and 2022 was determined as follows for trade receivables:

Individually impaired trade receivables

	Trade receivables *RMB'000*	Expected credit loss rate	Loss allowance *RMB'000*	Reason
2023				
Trade receivables 1	**3,396**	**100.00%**	**3,396**	**The likelihood of recovery**
Trade receivables 2	**57,927**	**5.62%**	**3,255**	**The likelihood of recovery**
	61,323		**6,651**	
2022				
Trade receivables 1	2,043	100.00%	2,043	The likelihood of recovery
Trade receivables 2	45,182	6.39%	2,887	The likelihood of recovery
	47,225		4,930	

Collectively impaired trade receivables

For trade receivables with public rating source:

	Trade receivables *RMB'000*	Expected credit loss rate	Loss allowance *RMB'000*
2023			
Trade receivables with public rating source	**49,106**	**1.06%**	**521**
2022			
Trade receivables with public rating source	77,485	1.13%	876

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk (Continued)

Trade receivables (Continued)

Collectively impaired trade receivables (Continued)

For trade receivables without public rating source:

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
2023					
Related parties					
Expected credit loss rate	**2.61%**				
Gross carrying amount-trade receivables *(RMB'000)*	**42,425**				**42,425**
Loss allowance *(RMB'000)*	**1,107**				**1,107**
Third parties					
Expected credit loss rate	**3.58%**	**32.57%**	**88.55%**	**100.00%**	
Gross carrying amount-trade receivables *(RMB'000)*	**122,836**	**10,870**	**2,402**	**2,782**	**138,890**
Loss allowance *(RMB'000)*	**4,398**	**3,540**	**2,127**	**2,782**	**12,847**

	Within 1 year	1 to 2 years	2 to 3 years	Over 3 years	Total
2022					
Related parties					
Expected credit loss rate	2.82%				
Gross carrying amount-trade receivables *(RMB'000)*	67,418				67,418
Loss allowance *(RMB'000)*	1,901				1,901
Third parties					
Expected credit loss rate	2.53%	25.03%	92.57%	100.00%	
Gross carrying amount-trade receivables *(RMB'000)*	56,593	3,856	1,671	2,203	64,323
Loss allowance *(RMB'000)*	1,432	965	1,547	2,203	6,147

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk (Continued)

Cash and cash equivalents, bank deposits with the maturity over three months and restricted bank deposits

For cash and cash equivalents, bank deposits with the maturity over three months and restricted bank deposits, the Group has assessed that they were placed at state-owned banks and other medium or large size listed banks and other financial institutions with high credit rating assigned by international credit-rating agencies. The risk of default is low based on market information and the Group considers the credit risk to be insignificant.

Other financial assets at amortised cost

Deposits and loans to related parties

The Group expects that the credit risk associated with deposits and loans to related parties are considered to be low after considering the factors as set out in note 2.11, and related parties have a strong capacity to meet their contractual cash flow obligations in the near term. The Group has assessed that the ECL rate applied for the amounts due from related companies was 0.11% (2022: 0.09%) under 12 months ECL method for the year ended 31 December 2023 and 2022.

Other receivables other than those from related parties and payments on behalf of residents

The Group has large number of counterparties for its other receivables other than those from related parties and payments on behalf of residents. 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 at the end of reporting period to ensure that adequate ECL are made for irrecoverable amounts. The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis at the end of each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of default occurring on the asset as at the end of reporting period with the risk of default as at the date of initial recognition.

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk (Continued)

Other financial assets at amortised cost (Continued)

Other receivables other than those from related parties and payments on behalf of residents (Continued)

Forward-looking information is incorporated in the ECL model. The Group has performed historical analysis and identified the key economic variables impacting credit risk and ECL. It also considers available reasonable and supportive forward-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 increases in credit risk on other financial instruments of the individual property owner or the same borrower
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the Group and changes in the operating results of the borrower.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.4 Credit risk (Continued)

Other financial assets at amortised cost (Continued)

Other receivables other than those from related parties and payments on behalf of residents (Continued)

Since credit risk has not significantly increased after initial recognition, the loss allowance recognised is therefore limited to 12 months expected credit losses.

	Due from related parties	Due from third parties	Total
2023			
Carrying amount of other financial assets at amortised cost *(RMB'000)*	**3,909**	**93,990**	**97,899**
Expected credit loss rate	**0.11%**	**1.79%**	
Loss allowance *(RMB'000)*	**5**	**1,681**	**1,686**
2022			
Carrying amount of other financial assets at amortised cost *(RMB'000)*	12,152	46,864	59,016
Expected credit loss rate	0.10%	2.82%	
Loss allowance *(RMB'000)*	12	1,322	1,334

41.5 Liquidity risk

Liquidity risk relates to the risk that the Group will not be able to meet its obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group is exposed to liquidity risk in respect of settlement of trade and other payables, lease liabilities and also in respect of its cash flow management. The Group's objective is to maintain an appropriate level of liquid assets and committed lines of funding to meet its liquidity requirements in the short and long term.

Analysed below is the Group's remaining contractual maturities for its financial liabilities as at 31 December 2023 and 2022. When the creditor has a choice of when the liability is settled, the liability is included on the basis of the earliest date on when the Group can be required to pay. Where the settlement of the liability is in instalments, each instalment is allocated to the earliest period in which the Group is committed to pay.

Notes to the Consolidated Financial Statements (Continued)

for the year ended 31 December 2023

41. FINANCIAL RISK MANAGEMENT (CONTINUED)

41.5 Liquidity risk (Continued)

The contractual maturity analysis below is based on the undiscounted cash flows of the financial liabilities.

	Within 1 year or on demand *RMB'000*	Between 1 and 5 years *RMB'000*	Over 5 years *RMB'000*	Total undiscounted amount *RMB'000*	Carrying amount *RMB'000*
2023					
Trade and other payables	**587,915**	**—**	**—**	**587,915**	**587,915**
Lease liabilities	**20,362**	**36,463**	**—**	**56,825**	**52,905**
	608,277	**36,463**	**—**	**644,740**	**640,820**
2022					
Trade and other payables	543,875	—	—	543,875	543,875
Lease liabilities	31,551	55,002	—	86,553	79,806
	575,426	55,002	—	630,428	623,681

42. CAPITAL RISK MANAGEMENT

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

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

As part of the capital risk management process, the Group monitors capital on the basis of the liability-to-asset ratio. This ratio is calculated as total liabilities divided by total assets.

The liability-to-asset ratios at 31 December 2023 and 2022 are as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Total liabilities	**799,940**	784,282
Total assets	**2,102,900**	2,001,030
Liability-to-asset ratio	**38%**	39%

Five-Year Financial Summary

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	***RMB'000***
Revenue	997,014	1,180,554	1,320,480	1,388,189	**1,514,476**
Cost of sales and services	(805,585)	(929,763)	(1,057,745)	(1,139,645)	**(1,259,236)**
Gross profit	191,429	250,791	262,735	248,544	**255,240**
Profit for the year	113,410	116,147	150,784	135,790	**143,541**
Other comprehensive (loss)/ income for the year, net of tax	(413)	(459)	(113)	53	**(1,364)**
Total comprehensive income for the year	112,997	115,688	150,671	135,843	**142,177**
Attributable to:					
Owners of the Company	104,804	104,445	137,604	121,165	**127,076**
Non-controlling interests	8,193	11,243	13,067	14,678	**15,101**
Earnings per share, basic and diluted *(RMB)*	0.390	0.328	0.369	0.324	**0.343**

CONSOLIDATED STATEMENT OF ASSETS, EQUITY AND LIABILITIES

	As at 31 December				
	2019	2020	2021	2022	**2023**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000* (Restated)	***RMB'000***
Assets					
Non-current assets	111,584	99,398	126,969	170,265	**258,825**
Current assets	889,426	1,648,908	1,752,596	1,830,765	**1,844,075**
Total assets	1,001,010	1,748,306	1,879,565	2,001,030	**2,102,900**
Equity and liabilities					
Total equity	403,712	1,086,559	1,164,200	1,216,748	**1,302,960**
Non-current liabilities	43,412	34,726	41,473	56,697	**66,844**
Current liabilities	553,886	627,021	673,892	727,585	**733,096**
Total liabilities	597,298	661,747	715,365	784,282	**799,940**
Total equity and liabilities	1,001,010	1,748,306	1,879,565	2,001,030	**2,102,900**