# Ye Xing Group Holdings Limited
# 燁星集團控股有限公司

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock Code: 1941)**

## ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

**2022 RESULTS HIGHLIGHTS**

- For the year ended 31 December 2022, the Group's total revenue was approximately RMB343.5 million, representing an increase of approximately RMB6.7 million or about 2.0% as compared to that of approximately RMB336.8 million for the year ended 31 December 2021. For the year ended 31 December 2022, revenue generated from property management services, property developer related services and value-added services contributed 84.5%, 5.5% and 10.0% to the total revenue, respectively.

- The revenue generated from property management services segment increased by approximately RMB31.0 million, or about 12.0% as compared to that in 2021. The GFA under management increased by approximately 0.6 million sq.m. to a total of 12.4 million sq.m..

- The revenue generated from property developer related services decreased by approximately RMB24.7 million, or about 56.8% to approximately RMB18.8 million year on year.

- The revenue generated from value-added services slightly increased by approximately RMB0.3 million, or about 0.9% to approximately RMB34.5 million year on year.

- Total loss and comprehensive loss amounted to approximately RMB51.9 million (2021: total profit and comprehensive income amounted to approximately RMB31.2 million).

The Board announces the audited consolidated results of the Group for the year ended 31 December 2022, with comparative figures for the year ended 31 December 2021. These final results have been reviewed by the Audit Committee.

## CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

*For the year ended 31 December 2022*

| | NOTES | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Revenue | 4 | **343,498** | 336,828 |
| Cost of services | | **(276,475)** | (247,198) |
| Gross profit | | **67,023** | 89,630 |
| Other income | 5(a) | **2,965** | 4,057 |
| Other gains or losses, net | 5(b) | **2,088** | 1,691 |
| Loss on disposal of a subsidiary | 15 | **–** | (2,401) |
| Administrative expenses | | **(49,167)** | (43,693) |
| Impairment loss of trade and other receivables, net | 11 | **(38,420)** | (4,074) |
| Impairment loss of amounts due from related parties | 12 | **(38,579)** | – |
| Selling expenses | | **(1,892)** | (972) |
| Interests on lease liabilities | | **(39)** | (65) |
| (Loss)/profit before tax | 7 | **(56,021)** | 44,173 |
| Income tax credit/(expense) | 6 | **4,149** | (12,966) |
| (Loss)/profit and total comprehensive (loss)/income for the year | | **(51,872)** | 31,207 |
| (Loss)/profit and total comprehensive (loss)/income for the year attributable to: | | | |
| – Owners of the Company | | **(51,909)** | 30,723 |
| – Non-controlling interests | | **37** | 484 |
| | | **(51,872)** | 31,207 |
| (Loss)/earnings per share *(RMB cent)* | | | |
| – Basic | 8 | **(12.81)** | 7.58 |

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
*As at 31 December 2022*

| | NOTES | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | | **41,741** | 38,017 |
| Intangible assets | | **15,754** | 18,866 |
| Deferred tax assets | | **13,019** | – |
| Right-of-use assets | | **898** | 1,165 |
| Goodwill | | **29,709** | 29,330 |
| | | **101,121** | 87,378 |
| **CURRENT ASSETS** | | | |
| Properties held for sale | 10 | **6,562** | – |
| Trade and other receivables | 11 | **86,447** | 108,775 |
| Amounts due from related parties | 12 | **82,524** | 106,276 |
| Tax recoverable | | **4,380** | – |
| Bank balances and cash | | **135,219** | 167,139 |
| | | **315,132** | 382,190 |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 13(a) | **126,423** | 116,719 |
| Contract liabilities | 13(b) | **69,141** | 81,202 |
| Lease liabilities | | **60** | 538 |
| Tax liabilities | | **4,161** | 3,812 |
| | | **199,785** | 202,271 |
| **NET CURRENT ASSETS** | | **115,347** | 179,919 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | **216,468** | 267,297 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | | **130** | 180 |
| Deferred tax liabilities | | **3,564** | 2,548 |
| | | **3,694** | 2,728 |
| **NET ASSETS** | | **212,774** | 264,569 |
| **CAPITAL AND RESERVES** | | | |
| Share capital | | **3,650** | 3,650 |
| Reserves | | **208,470** | 260,379 |
| Total equity attributable to owners of the Company | | **212,120** | 264,029 |
| Non-controlling interests | | **654** | 540 |
| **TOTAL EQUITY** | | **212,774** | 264,569 |

## NOTES

### 1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 26 March 2019.

The Company's holding company is Ascendor Futur Holding Limited ("Ascendor Futur"), a limited company which was incorporated as an exempted company with limited liability in the British Virgin Islands (the "BVI").

The shares of the Company have been listed on Main board of The Stock Exchange of Hong Kong Limited on 13 March 2020.

The consolidated financial statements is presented in RMB, which is the same as the functional currency of the Company.

### 2. BASIS OF PREPARATION AND PRESENTATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the principles of merger accounting.

### 3. APPLICATION OF NEW AND AMENDMENTS TO HKFRSS

#### (i) Adoption of new/revised HKFRSs – effective 1 January 2022

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

| | |
|---|---|
| Amendments to HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKAS 16 | Property, Plant and Equipment – Proceeds before Intended Use |
| Amendments to HKAS 37 | Onerous Contracts – Cost of Fulfilling a Contract |
| Amendments to HKFRSs | Annual Improvements to HKFRSs 2018–2020 |

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

### (ii) New/revised HKFRSs that have been issued but are not yet effective

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2] |
| HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17) | Insurance Contracts[1] |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current[3] |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants[3] |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies[1] |
| Amendments to HKAS 8 | Definition of Accounting Estimates[1] |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1] |
| Amendments to HKFRS 16 | Lease Liability in a Sale and Leaseback[3] |
| Hong Kong Interpretation 5 (Revised) | Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contain a Repayment on Demand Clause[3] |

The above new and revised HKFRSs are not applicable for annual periods beginning on or before 31 December 2021. The Group will apply these standards to its financial statements for the first time in the annual period beginning on 1 January 2022 or later as appropriate. The Group is currently evaluating the potential impact of these standards on its financial statements.

1 Effective for annual periods beginning on or after 1 January 2023
2 No mandatory effective date yet determined but available for adoption
3 Effective for annual periods beginning on or after 1 January 2024

## 4. REVENUE AND SEGMENT INFORMATION

Revenue represents the net amounts received and receivable for (i) property management services, (ii) property developer related services, and (iii) value-added services.

Information reported to the directors of the Company, being the chief operating decision maker ("CODM") of the Group, for the purpose of resources allocation and assessment of segment performance focuses on the revenue analysis of each operating segment in the provision of property management services, property developer related services and value-added services of the Group. Other than the revenue analysis as set out below, no operating results and other discrete financial information including geographical location by operating segments relating to provision of property management services, property developer related services and value added services is prepared regularly for internal reporting to the CODM for resources allocation and performance assessment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to the CODM for review.

**Revenue from major services**

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Type of services | | |
| Property management services | **290,233** | 259,197 |
| Property developer related services | **18,773** | 43,462 |
| Value-added services | **34,492** | 34,169 |
| | **343,498** | 336,828 |

**Information about major customers**

Revenue from customers of the corresponding years contributing over 10% of the total revenue of the Group are as follows:

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Fellow subsidiaries *(Note)* | **N/A** | 49,141 |

*Note:* The fellow subsidiaries are companies in which the controlling shareholders of the Company has beneficial interest. During the year ended 31 December 2022, revenue from the fellow subsidiaries amounted to less than 10% of the total revenue of the Group.

## 5. OTHER INCOME AND OTHER GAINS OR LOSSES, NET

### (a) Other income

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Bank interest income | **1,509** | 2,377 |
| Value-add tax refund | **1,456** | 1,680 |
| | **2,965** | 4,057 |

### (b) Other gains or losses, net

| | **2022** *RMB'000* | 2021 *RMB'000* |
|---|---|---|
| Loss on disposal of property, plant and equipment | **(12)** | (4) |
| Government subsidy | **1,238** | 2,326 |
| Net exchange gain/(loss) | **1,115** | (507) |
| Others | **(253)** | (124) |
| | **2,088** | 1,691 |

## 6. INCOME TAX (CREDIT)/EXPENSE

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Current tax | | |
| PRC Enterprise Income Tax ("EIT") | **7,854** | 14,115 |
| Deferred tax | **(12,003)** | (1,149) |
| | **(4,149)** | 12,966 |

Under the Law of the People's Republic of China on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No provision for taxation in Hong Kong has been made as the Group's income neither arises in, nor is derived from, Hong Kong for the years ended 31 December 2022 and 2021.

The Company and the group entity incorporated in the BVI are not subject to income tax in the Cayman Islands or any other jurisdiction.

## 7. (LOSS)/PROFIT BEFORE TAX

| | 2022 | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| (Loss)/profit before tax has been arrived at after charging: | | |
| Auditor's remuneration | | |
| – Audit services | **1,600** | 1,700 |
| – Other services | **700** | 600 |
| | **2,300** | 2,300 |
| Directors' emoluments | **3,372** | 3,441 |
| Other staff's salaries and other benefits | **117,867** | 76,283 |
| Other staff's contributions to retirement benefit scheme | **18,817** | 16,186 |
| Other staff's contributions to housing provident funds | **3,883** | 2,706 |
| Total staff costs | **143,939** | 98,616 |
| Depreciation for property, plant and equipment | **6,762** | 4,808 |
| Depreciation of right-of-use assets | **267** | 1,188 |
| Amortisation of intangible assets | **3,112** | 1,528 |

## 8. (LOSS)/EARNINGS PER SHARE

The calculation of the basic (loss)/earnings per share attributable to owners of the Company is based on the following data:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| (Loss)/earnings for the year attributable to owners of the Company for the purposes of basic (loss)/earnings per share | **(51,909)** | 30,723 |
| | ***Number of shares*** | *Number of shares* |
| Weighted average number of ordinary shares for the purpose of basic (loss)/earnings per share | **405,310,000** | 405,310,000 |

No diluted (loss)/earnings per share is presented for each of the years ended 31 December 2022 and 2021 as no potential ordinary shares were in issue during those years.

## 9. DIVIDENDS

No dividend was declared or paid by the Company for the years ended 31 December 2022 and 2021.

## 10. PROPERTIES HELD FOR SALE

Properties held for sale represent 193 units of car parks acquired by the Group which are held for sale, they are initially stated at costs and subsequently carried at the lower of cost and net realisable value.

In prior years, the Group entered into several sole agency services agreements (the "Agreements") with a former fellow subsidiary (the "Counterparty"), pursuant to which the Group agreed to provide agency services to the Counterparty, by sourcing potential purchasers and providing assistance in entering into sales contracts with buyers with respect to unsold car park spaces and shops developed by the Counterparty (the "Agency Services").

Pursuant to the Agreements, the Group was required to pay the refundable deposits (the "Refundable Deposits") up to the total minimum sales price of the car park spaces and shops to be sold under the Agreements. Upon expiry or termination of the Agreements, the remaining sum of the Refundable Deposits in respect of unsold car park spaces and shops, if any, will be refunded to the Group in full.

Upon expiry of the Agreements, the Counterparty has not yet refunded the Refundable Deposits to the Group. During the year ended 31 December 2022, the Group purchased 232 units of the unsold car park spaces from the Counterparty at a consideration of approximately RMB7,888,000, which was offset with the Refundable Deposits.

## 11. TRADE AND OTHER RECEIVABLES

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| Trade receivables | | **82,632** | 52,890 |
| Less: allowance for credit losses | | **(13,915)** | (4,915) |
| | | **68,717** | 47,975 |
| Other receivables: | | | |
| Refundable deposits | (a) | **30,566** | 38,454 |
| Deposits | (b) | **435** | 774 |
| Prepayments | | **8,684** | 9,027 |
| Payments on behalf of residents | (c) | **4,717** | 5,000 |
| Advances to staff | | **2,322** | 5,210 |
| Others | | **1,756** | 3,665 |
| Less: allowance for credit losses | | **(30,750)** | (1,330) |
| | | **17,730** | 60,800 |
| Total trade and other receivables | | **86,447** | 108,775 |

*Notes:*

(a) Refundable Deposits represent amount paid to the Counterparty as disclosed in Note 10.

In June 2022, the Counterparty provided an undertaking (the "Undertaking") to the Group, pursuant to which the Counterparty committed to refund the remaining balance of the Refundable Deposits of RMB30,566,000 to the Group by 30 September 2023. In addition, the Counterparty has guaranteed to obtain the Group's approval before selling certain properties (the "Assets"), proceeds from the sale of the Assets will be distributed to the Group with first priority. In case if the Counterparty is not able to refund the Refundable Deposits by 30 September 2023, the Assets will be transferred to the Group to offset with the Refundable Deposits.

On 17 February 2023, the Group was being informed that the Counterparty was in liquidation. For details, please refer to the Company's announcement dated 17 February 2023.

The Group engaged an external valuer to assess the ECL on the refundable deposits and an allowance of RMB30,566,000 was made as at 31 December 2022 (2021: RMB769,000), considered the maximum exposure to credit loss as the Counterparty is in liquidation.

(b) The amounts represented the deposits paid for staff quarters, point of sales machines and tendering activities. The deposits are refundable in the next twelve months at each of the end of the reporting period and therefore the amounts are classified as current assets.

(c) The amounts represented the amounts paid on behalf of residents to the utilities service providers for the services provided.

Property management services income is generally required to be settled by property owners and property developers on the date upon issuance of demand note.

The Group generally grants a credit period of 30 days for its property developer related services and value-added services to its third parties.

The following is an ageing analysis of trade receivables, before the impairment allowance, present based on the date of demand note issued:

| | 2022 | 2021 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| 0 to 60 days | **32,029** | 23,435 |
| 61 to 180 days | **17,229** | 8,680 |
| 181 to 365 days | **14,349** | 7,455 |
| 1 to 2 years | **6,851** | 11,590 |
| 2 to 3 years | **9,978** | 1,099 |
| Over 3 years | **2,196** | 631 |
| | **82,632** | 52,890 |

## 12. AMOUNTS DUE FROM RELATED PARTIES

| | 2022 | 2021 |
|---|---|---|
| | *RMB'000* | *RMB'000* |
| Trade nature | | |
| Fellow subsidiaries *(Note (a))* | **119,551** | 104,662 |
| Less: allowance for credit losses *(Note (c))* | **(38,162)** | – |
| | **81,389** | 104,662 |
| Non-trade nature | | |
| Fellow subsidiaries *(Note (b))* | **1,552** | 1,614 |
| Less: allowance for credit losses *(Note (c))* | **(417)** | – |
| | **1,135** | 1,614 |
| Total | **82,524** | 106,276 |

*Notes:*

(a) The Group generally grants a credit period of 30 days for its property developer related services and value-added services to its related parties and no credit term granted to related parties for its provision of property management services in which such income is generally required to be settled upon the date of issuance of demand note.

(b) The balances were unsecured, interest-free and repayable on demand.

(c) The Group applies the general approach to measure the expected credit loss ("ECL") of receivables from related parties. Under the general approach, receivables from related parties are categorised into the following three stages based on the change in credit risk since initial recognition: Stage 1: 12-month ECL, Stage 2: Lifetime ECL – not credit impaired and Stage 3: Lifetime – credit-impaired.

For amounts classified as Stages 1 and 2, the management assesses loss allowances using the risk parameter modelling approach that incorporates key parameters, including probability of default and loss given default and exposure at default. For credit-impaired assets classified as Stage 3, the management assesses the credit loss allowances by estimating the future cash flows expected to arise from the financial assets.

On 11 and 12 May 2022, Beijing Hongkun Weiye Real Estate Development Co. Ltd ("Hongkun Weiye"), the holding company of the related parties, announced that 14.75% of its guaranteed senior notes was in default in payment of the accrued interest. On the other hand, the default in payment of interest triggered the default of three other bonds issued by Hongkun Weiye. Up to the date of this announcement, Hongkun Weiye had not reached any settlement agreement with the bond/note holders. As a result of the above events, the Group considered that the risk of default by Hongkun Weiye Group increased and classified as Stage 2, therefore a loss allowance of RMB38,579,000 was made as at 31 December 2022.

As at 31 December 2021, with reference to the financial information provided to the Group and the review made by the management, the Group considered the probability of default from Hongkun Weiye would be close to zero and no loss allowance was made.

The following is an aging analysis of trade amounts due from related parties presented based on date of demand note:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| 0 to 60 days | **7,036** | 14,166 |
| 61 to 180 days | **11,800** | 17,762 |
| 181 to 365 days | **10,775** | 19,047 |
| 1 to 2 years | **49,276** | 45,258 |
| 2 to 3 years | **32,375** | 8,429 |
| Over 3 years | **8,289** | – |
| | **119,551** | 104,662 |

## 13. TRADE AND OTHER PAYABLES

### (a) Trade and other payables

| | | **2022** | 2021 |
|---|---|---|---|
| | *Notes* | ***RMB'000*** | *RMB'000* |
| Trade payables | | **43,852** | 36,987 |
| Other payables: | | | |
| Receipts on behalf of residents | (a) | **10,453** | 11,948 |
| Deposits received | (b) | **36,358** | 34,208 |
| Accrued staff costs | | **21,064** | 14,989 |
| Accrued contribution to social insurance and housing provident funds | | **6,547** | 7,830 |
| Other tax payables | | **5,396** | 3,269 |
| Accrued expenses | | **1,851** | 6,942 |
| Other payables | | **902** | 546 |
| Total other payables | | **82,571** | 79,732 |
| Total trade and other payables | | **126,423** | 116,719 |

*Notes:*

(a) The balances represented the receipts on behalf of community residents to settle the utilities bills from utilities suppliers.

(b) The balances mainly represented by the utility received from the property-owners and residents. The deposits received are repayable on demand and accordingly the amounts are classified as current liabilities.

The following is an ageing analysis of trade payables presented based on the invoice date at the end of each reporting period:

| | **2022** | 2021 |
|---|---|---|
| | ***RMB'000*** | *RMB'000* |
| Within 1 year | **39,421** | 29,523 |
| 1–2 years | **4,219** | 7,121 |
| 2–3 years | **39** | 73 |
| Over 3 years | **173** | 270 |
| | **43,852** | 36,987 |

**(b) Contract liabilities**

The contract liabilities represent the advance from customers for property management services, property developer related services and value-added services. The payment terms vary and depend on the terms of the Group's property management services contracts.

When the Group receives advanced consideration from customers before the property management service activities commence, this will give rise to contract liabilities, until the revenue recognised on relevant contract upon provision of property management services.

All contract liabilities are expected to be recognised as revenue within one year.

## 14. ACQUISITION OF A SUBSIDIARY

During the year ended 31 December 2022, the Group acquired 65% equity interests in Dangfang Yi Run Medical Company Limited at a consideration of RMB520,000.

On 24 September 2021, the Group entered into a sale and purchase agreement with an independent third party. Pursuant to the sale and purchase agreement, the Group acquired 100% equity interest in Jiangsu Wanhao Property Management Company Limited ("Jiangsu Wanhao"). The total purchase consideration for the acquisition is RMB47,000,000 (the "Jiangsu Wanhao Acquisition"). Jiangsu Wanhao is engaged in the provision of property management services. The acquisition was made as part of the Group's strategy to expand its market share of property management operation in the PRC.

The fair value of the identifiable assets and liabilities as at the date of the Jiangsu Wanhao Acquisition was as follows:

| | **Fair value recognised on acquisition** |
|---|---|
| | *RMB'000* |
| Intangible assets | 16,894 |
| Property, plant and equipment | 101 |
| Right of use assets | 242 |
| Trade and other receivables | 4,916 |
| Bank balances and cash | 1,868 |
| Trade and other payables | (1,809) |
| Tax liabilities | (76) |
| Lease liabilities | (242) |
| Deferred tax liabilities | (4,224) |
| Total identifiable net assets at fair value | 17,670 |
| Goodwill on acquisition | 29,330 |
| Total consideration satisfied by cash | 47,000 |
| Satisfied by: | |
| Cash | 47,000 |

An analysis of the net cash outflows in respect of the Jiangsu Wanhao Acquisition is as follows:

| | *RMB'000* |
|---|---|
| Cash consideration | (47,000) |
| Bank balances and cash acquired | 1,868 |
| | (45,132) |

In respect of the acquired subsidiaries, the fair value of trade and other receivables acquired included trade receivables with a fair value of approximately RMB3,186,000. The total gross contractual amount of the trade receivables is approximately RMB3,186,000, of which no balance is expected to be uncollectible.

The goodwill arising from the acquisition is attributable to the growth and profit potential as a result of benefiting from the growing demand in property management services. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since acquisition, Jiangsu Wanhao contributed RMB6,288,000 and RMB664,000 to the consolidated revenue and profit for the year ended 31 December 2021, respectively.

Had the combinations taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been approximately RMB354,340,000 and RMB33,889,000, respectively.

## 15. DISPOSAL OF A SUBSIDIARY

Pursuant to the share transfer agreement dated 3 July 2021 (the "Disposal Agreement"), the Group disposed of its 100% equity interest in Tianjin Hongsheng Property Services Company Limited ("Tianjin Hongsheng") to an independent third party, for a consideration of RMB4.2 million (the "Tianjin Hongsheng Disposal").

The carrying values of the assets and liabilities on the date of disposal were as follows:

| | *RMB'000* |
|---|---|
| Net assets disposed of: | |
| Property, plant and equipment | 37 |
| Deferred tax assets | 22 |
| Trade and other receivables | 281 |
| Amounts due from the Group *(Note)* | 6,910 |
| Amounts due from related parties | 2,391 |
| Bank balances and cash | 57 |
| Trade and other payables | (1,551) |
| Contract liabilities | (2,536) |
| Tax liabilities | (529) |
| Net assets | 5,082 |
| Goodwill derecognised on disposal | 1,519 |
| Loss on disposal of a subsidiary | (2,401) |
| Total consideration satisfied by cash | 4,200 |

An analysis of the net outflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

| | *RMB'000* |
|---|---|
| Cash consideration | 4,200 |
| Netoff with amount due to Tianjin Hongsheng *(Note)* | (6,910) |
| Cash and cash equivalents disposed of | (57) |
| Net outflow of cash and cash equivalents in respect of the disposal of a subsidiary | (2,767) |

*Note:* Pursuant to the Disposal Agreement, the consideration payable by the buyer of RMB4,200,000 should be offset with the amount due from the Group of RMB6,910,000, resulting in a net payment of RMB2,710,000 by the Group to the buyer in respect of the Tianjin Hongsheng Disposal.

## MANAGEMENT DISCUSSION AND ANALYSIS

## BUSINESS REVIEW

### Business Overview

The Group is a reputable property management service provider offering comprehensive property management and related services for residential and non-residential properties in the PRC. Its parent group, Hongkun Group, is a leading property developer in the Beijing-Tianjin-Hebei Region and has been ranked among the Top 100 Property Developers in the PRC* (中國房地產開發企業百強). The Group has been ranked one of the Top 100 Property Management Companies in the PRC* (中國物業服務百強企業) by China Index Academy* (中國指數研究院) for six consecutive years since 2016. Through upholding the Group's service philosophy of "creating an enjoyable living environment (讓人們住的開心)" and the dedication to the Group's core values of "friendliness, persistence, innovation and excellence" in delivering its services, the Group envisions to become an outstanding property management service provider in the PRC. As at 31 December 2022, the Group provided property management services to properties spanning across 17 cities in the Beijing-Tianjin-Hebei Region, Hainan Province, Hubei Province, Anhui Province, Jiangsu Province, Shaanxi Province, Jiangxi Province, Guangdong Province and Shanghai, managing a total revenue-bearing GFA of approximately 12.4 million sq.m., comprising 56 residential properties (with over 86,000 units in total) and 19 non-residential properties.

In 2022, the Company achieved revenue of approximately RMB343.5 million, an increase of about 2.0% year on year; realized gross profit of approximately RMB67.0 million, a decrease of about 25.2% year on year. The total loss and other comprehensive loss amounted to approximately RMB51.9 million. The gross profit margin in 2022 was 19.5%, representing a decrease of 7.1 percentage points as compared with 2021, respectively.

As of the end of 2022, the Group's contracted GFA was approximately 15.0 million sq.m., and the total revenue-bearing GFA under management exceeded 12.4 million sq.m., representing an increase of 5.4% and 5.1% compared with 2021, respectively; the number of the Company's managed residential property projects was 56, with a total revenue-bearing GFA of 11.2 million sq.m., accounting for 90.2% of total revenue-bearing GFA; the number of the Company's managed non-residential property projects was 19, with a total revenue-bearing GFA of 1.2 million sq.m., accounting for 9.8% of the total revenue-bearing GFA.

The table below sets forth our (i) contracted GFA; (ii) revenue-bearing GFA; and (iii) number of properties under our management in relation to the properties for which we had commenced our provision of property management services, as at the dates indicated:

| | As at 31 December | |
|---|---|---|
| | **2022** | 2021 |
| **Residential Properties** | | |
| Contracted GFA *('000 sq.m.) (Note)* | **13,208** | 12,507 |
| Revenue-bearing GFA *('000 sq.m.)* | **11,205** | 10,670 |
| Number of properties managed | **56** | 53 |
| **Non-residential Properties** | | |
| Contracted GFA *('000 sq.m.) (Note)* | **1,743** | 1,676 |
| Revenue-bearing GFA *('000 sq.m.)* | **1,214** | 1,147 |
| Number of properties managed | **19** | 20 |
| **Total** | | |
| Contracted GFA *('000 sq.m.) (Note)* | **14,951** | 14,183 |
| Revenue-bearing GFA *('000 sq.m.)* | **12,419** | 11,817 |
| Number of properties managed | **75** | 73 |

*Note:* Contracted GFA refers to the total GFA managed and the total GFA to be managed by the Group under signed property management service agreements.

**Future Outlook**

As the real estate industry enters the era of eliminating the weak and retaining the strong, the property management industry, which is heavily relying on the real estate industry, has also entered the year of comprehensive retraining. The reduction of capital fever, the cooling of listing enthusiasm, and the increase of homogenization of competition are all urging property management companies to return to the service essence of the property management industry. The industry no longer blindly pursues rapid expansion of scale, and instead pursues high-quality, and cost-effective sustainable development. The aim of the Group is to focus on high-quality development, take meeting the growing needs of the people for a better life as the starting point and foothold, and continuously improve the people's sense of gain, happiness, and security, meeting the expectations of residents and customers.

***Focus on quality control management and consolidate the foundation of quality***

The Group has always followed the principle of customer service orientation, quality service as the foundation, with intelligent application and service standards excellence, to keep breaking through traditional service boundaries and creating more possibilities for widely and deeply expansion of living services.

In 2022, in terms of quality improvement, the Group continued to forge ahead. We had successively established a set of precise and strict quality standards with requirement of interference-free, time-difference-free, dead-angle-free, and distance-free. The Group has been continuously exploring public area experiences, conducting standardized service mechanism such as "quality improvement special program", included services such as "housekeeper visit", "project manager reception day", "residence convenience service", and "400 one-stop call center", which allows us to evoke a felling of meticulous and considerate care to our residence, both in the handling of emergencies or in the greetings of family members, which is the original intention of the Group to construct a better living, and is also our responsibility and mission.

In 2023, the Group will continue to focus on quality control management, consolidate the foundation of quality, uphold the spirit of "ingenuity", to build up our brand. We will simultaneously expand our scale both online and offline, to achieve healthy growth. With the application of technology, we can build energy, integrate resources, create high-quality products, make full use of intelligent technology means, further strengthen the construction of the "intelligent ecosystem", cooperate with the market for win-win results, and share the high-quality service of the Group with more customers.

***Value-added service, endowing new quality life***

Facing the consumption habits of the new generation of "residential economy", the Group continues to explore the field of value-added services, seize the market segments, and combine community life scenarios, market needs, and residence needs to innovate and launch professional property management, asset services, life services and enterprise services, providing customized products and services for residence and customers, to give a good performance in the "last 100 meters" of property management.

Taking community retailing as an example, the Group has launched a sub-brand, called "gift shopping" to meet the needs of residences. We have irregularly launched seasonal blockbuster products through online and offline methods such as community bazaars, WeChat Apps, and online shopping malls, bringing tangible convenience and benefits to residence. Focusing on the ecological service circle of community life, by providing comprehensive and convenient services to residences, we continuously shorten the distance with them, improve trust and satisfaction, and help increase value-added income.

In the past two years, with the continuous introduction of favorable policies by the government, popular services such as elderly care, housekeeping, and beauty housing have emerged, and the development of value-added services of the Group has also ushered in new opportunities.

In 2023, the Group will continue to improve community life services and value-added services based on the full cycle service needs of business, such as home service, car wash service, beauty home business, community new retail, convenient repairment, housing trusteeship, vehicle services, space operations, welfare fairs, to optimize and integrate business resources continually. Adhere to professionalism, continue to explore the "property management service and society life service" model, and create a new and better life for residences.

***Market oriented, focusing on expansion with quality***

In the future, as the industry enters a mature market, the era of independent development of the property management industry has arrived. How to walk out of the path of self-development without relying on real estate parent group or capital market is the situation the industry will face in the future. After 20 years of development, the Group has gradually grown from a residential property management department owned by developers in the past to a market-oriented comprehensive business service enterprise with independent expansion capabilities. Currently, the Group has formed a nationwide layout centered in Beijing, covering the Beijing-Tianjin-Hebei region, the Yangtze River Economic Belt, the Greater Bay Area, and the Hainan Free Trade Zone, providing exclusive services to 80,000 residences.

In the future, the Group will adhere to market orientation, focus on quality expansion, from pursuing scale to pursuing cost efficiency, and adhere to the principle that scale expansion conforms to strategic direction, is suitable for brand positioning, has reasonable profits, has value-added space and healthy cash flow, to support our long-term and sustainable scale growth.

## FINANCIAL REVIEW

### Results of Operations

The Group's revenue was mainly derived from property management services, property developer related services and value-added services. For the year ended 31 December 2022, the Group's total revenue was approximately RMB343.5 million, representing an increase of approximately RMB6.7 million or approximately 2.0% as compared to that of approximately RMB336.8 million for the year ended 31 December 2021. For the year ended 31 December 2022, the revenue generated from property management services, property developer related services and value-added services contributed 84.5%, 5.5% and 10.0% to the total revenue, respectively.

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

| | **Year ended 31 December** | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Property management services | **290,233** | **84.5** | 259,197 | 77.0% |
| Property developer related services | **18,773** | **5.5** | 43,462 | 12.9% |
| Value-added services | **34,492** | **10.0** | 34,169 | 10.1% |
| Total | **343,498** | **100.0** | 336,828 | 100.0% |

### Property Management Services

The revenue generated from property management services increased by approximately RMB31.0 million year on year, or about 12.0%. Revenue generated from residential properties increased by approximately RMB39.4 million or approximately 20.2%, mainly due to (i) the fully reflected contribution of property management fees from those residential property projects delivered in the second half of 2021 and the 15 residential property projects under management by Jiangsu Wanhao, a subsidiary that we newly acquired in 2021; and (ii) 3 newly delivered residential properties in the year, which generated a total revenue of approximately RMB3.9 million. Revenue generated from non-residential properties decreased by approximately RMB8.4 million or approximately 13.1%, primarily because 1 non-residential property was newly acquired during the year; the service agreements of 2 non-residential properties expired during the year but not extended by us, and the disposal of a subsidiary Tianjin Hongsheng which holds 2 non-residential properties with under expectation performance in 2021 in order to optimize our properties portfolio under management. The GFA under management increased from 11.8 million sq.m. for the year ended 31 December 2021 to 12.4 million sq.m. for the year ended 31 December 2022.

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from the property management services by type of properties as at the dates indicated and for the periods indicated:

| | As at/Year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | | | 2021 | | | |
| | **Revenue-bearing GFA** | | **Revenue** | | Revenue-bearing GFA | | Revenue | |
| | ***'000 sq.m.*** | **%** | ***RMB'000*** | **%** | *'000 sq.m.* | % | *RMB'000* | % |
| Residential properties | **11,204** | **90.2** | **234,597** | **80.8** | 10,670 | 90.3 | 195,230 | 75.3 |
| Non-residential properties | **1,215** | **9.8** | **55,636** | **19.2** | 1,147 | 9.7 | 63,967 | 24.7 |
| | **12,419** | **100.0** | **290,233** | **100.0** | 11,817 | 100.0 | 259,197 | 100.0 |

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from property management services by type of property developers as at the dates indicated and for the periods indicated:

| | As at/Year ended 31 December | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | | | 2021 | | | |
| | **Revenue-bearing GFA** | | **Revenue** | | Revenue-bearing GFA | | Revenue | |
| | ***'000 sq.m.*** | **%** | ***RMB'000*** | **%** | *'000 sq.m.* | % | *RMB'000* | % |
| Hongkun Group | **9,447** | **76.1** | **258,088** | **88.9** | 9,144 | 77.4 | 245,650 | 94.8 |
| Third party property developers | **2,972** | **23.9** | **32,145** | **11.1** | 2,673 | 22.6 | 13,547 | 5.2 |
| | **12,419** | **100.0** | **290,233** | **100.0** | 11,817 | 100.0 | 259,197 | 100.0 |

The following table sets forth a breakdown of our total revenue-bearing GFA and our revenue derived from property management services by geographic coverage as at the dates indicated and for the periods indicated:

| | **As at/Year ended 31 December** | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | **2022** | | | | 2021 | | | |
| | **Revenue-bearing GFA** | | **Revenue** | | Revenue-bearing GFA | | Revenue | |
| | ***'000 sq.m.*** | ***%*** | ***RMB'000*** | ***%*** | *'000 sq.m.* | *%* | *RMB'000* | *%* |
| Beijing | **2,776** | **22.4** | **98,752** | **34.0** | 2,703 | 22.9% | 95,360 | 36.8% |
| Tianjin | **1,487** | **12.0** | **45,648** | **15.7** | 1,331 | 11.2% | 48,645 | 18.7% |
| Hebei Province | **3,519** | **28.3** | **78,912** | **27.2** | 3,426 | 29.0% | 72,535 | 28.0% |
| Beijing-Tianjin-Hebei Region | **7,782** | **62.7** | **223,312** | **76.9** | 7,460 | 63.1% | 216,540 | 83.5% |
| Hainan Province | **594** | **4.8** | **9,131** | **3.2** | 515 | 4.3% | 8,688 | 3.4% |
| Hubei Province | **784** | **6.3** | **16,816** | **5.8** | 504 | 4.3% | 13,149 | 5.1% |
| Shaanxi Province | **42** | **0.3** | **2,704** | **0.9** | 42 | 0.3% | 2,756 | 1.1% |
| Anhui Province | **379** | **3.1** | **5,620** | **1.9** | 470 | 4.0% | 4,232 | 1.6% |
| Jiangsu Province | **2,713** | **21.8** | **30,289** | **10.5** | 2,713 | 23.0% | 12,040 | 4.6% |
| Shanghai | **92** | **0.7** | **1,537** | **0.5** | 92 | 0.8% | 1,437 | 0.6% |
| Jiangxi Province | **21** | **0.2** | **362** | **0.1** | 21 | 0.2% | 355 | 0.1% |
| Guangdong Province | **12** | **0.1** | **462** | **0.2** | – | – | – | – |
| | **12,419** | **100.0** | **290,233** | **100.0** | 11,817 | 100% | 259,197 | 100.0% |

**Property Developer Related Services**

Due to the downturn of China's real estate market, the revenue generated from property developer related services decreased by approximately RMB24.7 million or about 56.8% from approximately RMB43.5 million for the year ended 31 December 2021 to approximately RMB18.8 million for the year ended 31 December 2022.

The following table sets forth a breakdown of number of property developer related services projects and our revenue derived from property developer related services by geographic coverage as at the dates indicated and for the periods indicated:

| | **As at/Year ended 31 December** | | | | | |
|---|---|---|---|---|---|---|
| | **2022** | | | 2021 | | |
| | **Number of projects** | **Revenue** | | Number of projects | Revenue | |
| | | ***RMB'000*** | % | | *RMB'000* | % |
| Beijing | **2** | **273** | **1.5** | 1 | 4,859 | 11.2% |
| Tianjin | **6** | **5,510** | **29.4** | 4 | 10,676 | 24.5% |
| Hebei Province | **9** | **8,150** | **43.4** | 11 | 21,259 | 49.0% |
| Beijing-Tianjin-Hebei Region | **17** | **13,933** | **74.3** | 16 | 36,794 | 84.7% |
| Hainan Province | **1** | **823** | **4.4** | 1 | 951 | 2.2% |
| Hubei Province | **2** | **1,415** | **7.5** | 2 | 3,086 | 7.1% |
| Jiangsu Province | **–** | **–** | **–** | 1 | 1,008 | 2.3% |
| Anhui Province | **1** | **2,014** | **10.7** | 1 | 52 | 0.1% |
| Guangdong Province | **1** | **588** | **3.1** | 1 | 1,571 | 3.6% |
| | **22** | **18,773** | **100.0** | 22 | 43,462 | 100.0% |

**Value-added Services**

The following table sets forth a breakdown of our revenue derived from our value-added services for the periods indicated:

| | Year ended 31 December | | | |
|---|---|---|---|---|
| | **2022** | | 2021 | |
| | **Revenue** | | Revenue | |
| | ***RMB'000*** | *%* | *RMB'000* | *%* |
| Home living services *(Note 1)* | **8,186** | **23.7** | 12,667 | 37.1% |
| Leasing of common areas *(Note 2)* | **25,019** | **72.6** | 20,540 | 60.1% |
| Others | **1,287** | **3.7** | 962 | 2.8% |
| | **34,492** | **100.0** | 34,169 | 100.0% |

*Notes:*

(1) Our home living services primarily included our collection of electricity tariffs, air-conditioning and heating fees, household repair and maintenance service provided to property owners and residents of our managed residential or non-residential properties.

(2) Our leasing of common areas primarily represented the leasing of certain common areas of our managed residential or non-residential properties to third-party services providers for setting up advertisement lightboxes, distilled water vending machines, screens in lifts and other facilities.

The revenue generated from value-added services increased slightly by approximately RMB0.3 million or about 0.9% from approximately RMB34.2 million for the year ended 31 December 2021 to approximately RMB34.5 million for the year ended 31 December 2022.

**Cost of Services**

Our cost of services primarily consist of (i) labour costs which arise mainly from the security, cleaning and gardening services; (ii) subcontracting costs; (iii) utility expenses; (iv) office expenses; and (v) maintenance costs.

Our cost of services increased by approximately 11.9% from approximately RMB247.2 million for the year ended 31 December 2021 to approximately RMB276.5 million for the year ended 31 December 2022. This increase was primarily attributable to (i) the continuous increase in number of our projects under management and total revenue-bearing GFA; (ii) the amortisation of the intangible assets resulted from the acquisition of Jiangsu Wanhao; and (iii) the increase in resource investment include setting up a team to develop the business of value-added services.

To maximise our cost and operational efficiency, we outsourced our cleaning, gardening, equipment maintenance, site security services and car park management to Independent Third Party subcontractors. We believe that the subcontracting arrangement allows us to leverage the resources and expertise of the subcontractors, reduce our operating costs, and enhance our overall efficiency and profitability.

**Gross Profit and Gross Profit Margin**

For the year ended 31 December 2022, the gross profit of the Group was approximately RMB67.0 million, representing a decrease of approximately RMB22.6 million or approximately 25.2% as compared to approximately RMB89.6 million for the year ended 31 December 2021. The gross profit margin was 19.5% for the year ended 31 December 2022 and 26.6% for the year ended 31 December 2021. The decrease in gross profit margin was mainly due to (i) the significant decrease of revenue from non-residential properties which had relatively high gross profit margin and (ii) the amortisation of the intangible assets resulted from the acquisition of Jiangsu Wanhao being recognised as cost of services.

**Selling Expenses and Administrative Expenses**

Our selling and distribution expenses primarily consist of (i) promotional expenses; (ii) salaries and allowances for our sales personnel; and (iii) travelling and entertainment expenses. The total selling expenses of the Group for the year ended 31 December 2022 were approximately RMB1.9 million, representing an increase of approximately RMB0.9 million or approximately 90% as compared with approximately RMB1.0 million for the year ended 31 December 2021. The increase is primarily attributed to more resource is allocated to sales team to expand our business.

Our administrative expenses primarily consist of (i) salaries and allowances for our administrative and management personnel in our headquarters; (ii) travelling expenses; (iii) professional fees; (iv) lease-related expenses and (v) bank charges.

For the year ended 31 December 2022, the administrative expenses of the Group were approximately RMB49.2 million, representing an increase of approximately RMB5.5 million or approximately 12.6% as compared to approximately RMB43.7 million for the year ended 31 December 2021. This increase was mainly due to (i) the continuous increase in number of our projects under management and total revenue-bearing GFA and (ii) the increase in headcount of our headquarters to cope with our continuous business expansion, which make the salaries and allowance increased by approximately RMB5.4 million.

### Other Income

For the year ended 31 December 2022, other income of the Group amounted to approximately RMB3.0 million, representing a decrease of approximately RMB1.1 million or about 26.8% as compared to that of approximately RMB4.1 million for the year ended 31 December 2021. The decrease was mainly because the bank interest income decreased by approximately RMB0.9 million or about 37.5% in 2022.

### Impairment Loss of Trade and Other Receivables

For the year ended 31 December 2022, the impairment loss of trade and other receivables was approximately RMB38.4 million (2021: RMB4.1 million), which mainly include the impairment loss of trade and other receivables from Wuxi Yongqing Real Estate Company Limited* (無錫永慶房地產有限公司) ("**Wuxi Yongqing**").

In prior years, the Group entered into two sole agency services agreements with Wuxi Yongqing (the "**Agency Services Agreements**"), a former fellow subsidiary of the Company, pursuant to which the Group should provide agency services to Wuxi Yongqing for the lease/right-of-use transfer of car parking spaces and/or shops developed by Wuxi Yongqing. Pursuant to the Agency Services Agreements, the Group has paid refundable deposits to Wuxi Yongqing that were equivalent to the total base price of all the car parking spaces and/or shops (the "**Refundable Deposits**") to ensure its provision of agency services. Upon expiry of the Agency Services Agreements, Wuxi Yongqing should refund all the remaining balance of the Refundable Deposits in full to the Group. On 28 September 2021, Wuxi Yongqing ceased to be a fellow subsidiary of the Group.

Upon expiry of the Agency Services Agreements, Wuxi Yongqing has not yet refunded the outstanding Refundable Deposits to the Group. On 6 April 2022, Wuxi Yongqing transferred the right-of-use of 232 car parking spaces with a total value of RMB7,888,000 to the Group in partial settlement of the outstanding Refundable Deposits. In June 2022, Wuxi Yongqing provided an undertaking to the Group pursuant to which Wuxi Yongqing committed to refund the remaining balance of the Refundable Deposits to the Group by 30 September 2023. In addition, Wuxi Yongqing has guaranteed to obtain the Group's approval before selling certain properties (the "**Assets**"), proceeds from the sale of the Assets will be distributed to the Group with first priority. In case if Wuxi Yongqing is not able to refund the Refundable Deposits by 30 September 2023, the Assets will be transferred to the Group to offset with the Refundable Deposits. As at 31 December 2022, the (i) outstanding Refundable Deposits amounted to approximately RMB30.6 million, and (ii) other outstanding trade receivables owed by Wuxi Yongqing to the Group amounted to approximately RMB6.3 million (together, the "**Receivables from Wuxi Yongqing**").

On 17 February 2023, the Company has become aware that according to a civil ruling (民事裁定書) issued by Xinwu District People's Court, Wuxi City, Jiangsu Province (江蘇省無錫市新吳區人民法院) (the "**Court**"), an application for the bankruptcy and liquidation of Wuxi Yongqing by its own creditor has been accepted by the Court (the "**Bankruptcy**"). Please refer to the announcement of the Company dated 17 February 2023 for further details.

In view of the Bankruptcy, the Board engaged CHFT Advisory and Appraisal Ltd, an independent valuer, to perform an impairment assessment on the Receivables from Wuxi Yongqing. According to the results of such impairment assessment, the Company has recorded an impairment loss of approximately RMB36.6 million, representing 100% of the Receivables from Wuxi Yongqing.

Such impairment assessment was performed with reference to expected credit loss model as required by HKFRS 9 – Financial Instruments, and under the key input that probability of default of Wuxi Yongqing is 100%, which is on the basis that the Bankruptcy took place.

**Income Tax (Credit)/Expense**

For the year ended 31 December 2022, the income tax credit of the Group was approximately RMB4.1 million (2021: income tax expense of approximately RMB13.0 million). The income tax credit for the year was mainly due to the deferred tax arising from the impairment losses recognised during the year.

**(Loss)/profit for the Year**

For the year ended 31 December 2022, the loss and comprehensive loss of the Group was approximately RMB51.9 million (2021: total profit and comprehensive income amounted to approximately RMB31.2 million). The loss for the year was mainly due to the impairment loss of trade and other receivables and impairment loss of amounts due from related parties of approximately RMB61.4 million in total, which were only confirmed on the date of this announcement.

## FINANCIAL POSITION

As at 31 December 2022, the total assets of the Group were approximately RMB416.3 million (as at 31 December 2021: approximately RMB469.6 million), and the total liabilities were approximately RMB203.5 million (as at 31 December 2021: approximately RMB205.0 million). As at 31 December 2022, the current ratio was 1.6 (as at 31 December 2021: 1.9).

As at 31 December 2022 and 31 December 2021, the Group had no outstanding bank borrowings and undrawn banking facilities.

The Board will continue to follow a prudent policy in managing the Group's cash and cash equivalents and maintain a strong liquidity position to ensure that the Group is able to take full advantage of future growth opportunities.

### Property, Plant and Equipment

Our property, plant and equipment included (i) our building for our staff quarters; and (ii) our furniture, fixtures and equipment in our office premises and management offices and sites. Our property, plant and equipment was approximately RMB41.7 million as at 31 December 2022, representing an increase of approximately RMB3.7 million or approximately 9.7% as compared with that of approximately RMB38.0 million as at 31 December 2021. It was primarily attributable to the new office with relevant decoration and furniture acquired in the year with a cost of approximately RMB6.9 million, which was partially offset by the depreciation charged for the year ended 31 December 2022.

### Intangible Assets

Our intangible assets of approximately RMB15.8 million as at 31 December 2022 representing a decrease of approximately RMB3.1 million or approximately 16.4% as compared with that of approximately RMB18.9 million as at 31 December 2021. The decrease is mainly due to the amortisation charge of intangible assets during the year.

### Right-of-use Assets

Our right-of-use assets represented our right to use our leased assets (i.e. office premises and staff quarters) with lease terms of over one year, which was initially measured at cost and subsequently measured at cost less accumulated depreciation and impairment losses under HKFRS 16.

Our right-of-use assets decreased by approximately RMB0.3 million or about 25.0% from approximately RMB1.2 million as at 31 December 2021 to approximately RMB0.9 million as at 31 December 2022.

### Goodwill

Our goodwill was approximately RMB29.7 million as at 31 December 2022, representing an increase of approximately RMB0.4 million or approximately 1.4% as compared with that of approximately RMB29.3 million as at 31 December 2021. The increase was primarily attributable to the goodwill arising from the acquisition of a new subsidiary.

### Trade and Other Receivables

Our trade and other receivables decreased by approximately RMB22.4 million or about 20.6% from approximately RMB108.8 million as at 31 December 2021 to approximately RMB86.4 million as at 31 December 2022. Our trade receivables increased by approximately RMB20.7 million or about 43.1% from approximately RMB48.0 million as at 31 December 2021 to approximately RMB68.7 million as at 31 December 2022 mainly due to the continuous growth in our business. Approximately RMB35.7 million of our trade receivables as at 31 December 2022 had been recovered as at the date of this announcement.

## Amounts due from Related Parties and Fellow Subsidiaries

### *Trade nature amounts due from fellow subsidiaries*

Our trade nature amounts due from fellow subsidiaries mainly represented the outstanding balances to be received from the Parent Group mainly in respect of the provisions of our property management services and property developer related services.

Our trade nature amounts due from fellow subsidiaries decreased by approximately RMB23.3 million or about 22.3% from approximately RMB104.7 million as at 31 December 2021 to approximately RMB81.4 million as at 31 December 2022, mainly due to the impairment loss made during the year.

### *Non-trade nature amounts due from fellow subsidiaries*

Our non-trade nature amounts due from fellow subsidiaries of approximately RMB1.6 million and RMB1.1 million as at 31 December 2021 and 2022 respectively. The amount mainly represented the deposit paid to the fellow subsidiary to secure the sole agent status of the sale of car park spaces. Pursuant to the relevant agreement, the amount shall be refunded upon completion of the sale. The balances were unsecured interest free and repayable on demand.

The Directors confirmed that, other than the above-mentioned security deposit arising from the acquisition of business, we do not have any non-trading related balances with related parties (including our fellow subsidiaries) after the Listing.

## Trade and Other Payables

As at 31 December 2022, the trade and other payables were approximately RMB126.4 million, representing an increase of approximately RMB9.7 million or about 8.3% as compared to that of approximately RMB116.7 million as at 31 December 2021. In which our account payables were approximately RMB43.9 million, representing an increase of approximately RMB6.9 million or about 18.6% as compared to that of approximately RMB37.0 million as at 31 December 2021, mainly due to (i) the continuous growth in our business; and (ii) the settlement progress between the Group and suppliers was slower than before mainly due to the impact of the epidemic.

### Contract Liabilities

Our contract liabilities primarily represented the payments in advance from our customers for the provision of our property management services because pursuant to the property management service agreements, we usually charge a fixed amount of fees by issuing demand notes to property owners and residents, which are generally required to be paid in advance on an annual basis for residential properties and a monthly or quarterly basis for non-residential properties. Our contract liabilities decreased by approximately RMB12.1 million or about 14.9% to approximately RMB69.1 million as at 31 December 2022 (as at 31 December 2021: approximately RMB81.2 million), which was mainly due to the decrease of non-residential properties under management in the year and the payment in advance from our non-residential property customers would be higher than that from our residential property customers.

### Asset Pledged

As at 31 December 2022, none of the assets of the Group was pledged.

### Proceeds from the Listing

The Shares were listed on the Main Board of the Stock Exchange on 13 March 2020 and 100,000,000 new Shares were issued. The over-allotment option was partially exercised and 5,310,000 new Shares were issued on 3 April 2020. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing amounted to approximately HK$129.4 million (equivalent to approximately RMB116.2 million). The net proceeds from the Listing were higher than that stated in the Prospectus, due to a higher final issue price than the median of the range of offer prices stated in the Prospectus and lower-than-expected underwriting fees. Such proceeds will be applied in the manner consistent with that in the Prospectus which is detailed as follows:

| | Disclosure in the Prospectus | | | |
|---|---|---|---|---|
| **Intended usage** | **Approximate net proceeds utilised** *HK$ million* | **Approximate percentage** | **Proceeds planned to be utilised in 2020** *HK$ million* | **Proceeds planned to be utilised in 2021** *HK$ million* |
| Expansion of geographic presence and scale of operations in the PRC | 64.4 | 65.0% | 61.3 | 3.1 |
| Development and enhancement of our information system and technological initiatives | 12.9 | 13.0% | 12.9 | – |
| Expansion of our value-added services | 9.9 | 10.0% | 4.7 | 5.2 |
| Staff development | 2.0 | 2.0% | 2.0 | – |
| General working capital | 9.8 | 10.0% | – | – |
| Total | 99.0 | 100.0% | 80.9 | 8.3 |

Due to the abovementioned reasons, the net proceeds from the Listing increased to HK$129.4 million and therefore our expected usage increased proportionately as follows:

| | As at 31 December 2022 | | | | |
|---|---|---|---|---|---|
| **Intended usage** | **Actual amount of net proceeds** *HK$ million* | **Approximate percentage** | **Proceeds utilised** *HK$ million* | **Proceeds not yet utilised** *HK$ million* | **Proceeds planned to be utilised in 2023** *HK$ million* |
| Expansion of geographic presence and scale of operations the PRC | 84.1 | 65.0% | 47.0 | 37.1 | 37.1 |
| Development and enhancement of our information system and technological initiatives | 16.9 | 13.0% | 2.3 | 14.6 | 14.6 |
| Expansion of our value-added services | 12.9 | 10.0% | 3.4 | 9.5 | 9.5 |
| Staff development | 2.6 | 2.0% | 1.0 | 1.6 | 1.6 |
| General working capital | 12.9 | 10.0% | 5.7 | 7.2 | 7.2 |
| Total | 129.4 | 100.0% | 59.4 | 70.0 | 70.0 |

As at 31 December 2022, the Company has utilized part of such proceeds according to the use as set out in the Prospectus. Approximately RMB47.0 million, representing approximately 36.3% of the actual amount of net proceeds, was utilized for expansion of geographic presence and scale of operations the PRC, including acquiring Jiangsu Wanhao; approximately RMB2.3 million, representing approximately 1.8% of the actual amount of net proceeds, was utilized for development and enhancement of our information system and technological initiatives, which include building up a resident communication database; approximately RMB3.4 million, representing approximately 2.6% of the actual amount of net proceeds, was utilized for expansion of our value-added service, include setting up a business development team; approximately RMB1.0 million, representing approximately 1.0% of the actual amount of net proceeds, was utilized for staff development, include providing training to sales team; and approximately RMB5.7 million, representing approximately 4.4% of the actual amount of net proceeds, was utilized for the general working capital.

Due to the downtrend of real estate industry, the supply of new property in the market decrease, the uncertainty of acquisition pricing raised, we adopt a more cautious attitude towards the evaluation of acquisition objectives. Therefore, our progress in utilizing the proceeds from the Listing was delayed comparing with the plan. The expected timeline for utilising the unutilised proceeds will be one year, which is based on our best estimation and will be subject to change in market conditions. The unutilized proceeds as at 31 December 2022 were deposited in the bank accounts.

### Significant Acquisitions and Disposals

Save as disclosed in this announcement, during the year ended 31 December 2022, the Group did not have any significant acquisition and disposals.

### Significant Investments

As at 31 December 2022, the Group did not have any significant investments.

## ANNUAL GENERAL MEETING

The 2022 AGM will be held on 31 May 2023 and the notice of the 2022 AGM will be published and despatched to the Shareholders in the manner as required by the Listing Rules in due course.

## DIVIDEND

No final dividend was recommended by the Board for the year ended 31 December 2022.

## EVENTS AFTER THE REPORTING PERIOD

Subsequent to the year ended 31 December 2022, the Group acquired several properties from its related parties, which were held by Beijing Hongkun Weiye Real Estate Development Co. Ltd* (北京鴻坤偉業房地產開發有限公司), at a consideration of approximately RMB2,515,000. The amount of such consideration payable was offset against the amounts due from the related parties as disclosed in note 12 to the consolidated financial statements as disclosed in this announcement.

Save as disclosed above, there were no other significant events of the Group after 31 December 2022 and up to the date of this announcement.

## EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had a total of 773 employees. Staff costs for the year ended 31 December 2022 amounted to approximately RMB143.9 million.

The Company's policy for determining the remuneration payable to Directors is based on the skills, knowledge, involvement and performance of individual Directors, with reference to the Company's profitability, the level of remuneration in the industry and prevailing market conditions. To ensure that the remuneration committee of the Company can better advise on the Group's future remuneration policies and related strategies, the remuneration committee of the Company is informed of the Group's existing remuneration policies and succession plans (e.g. guidelines for determining staff remuneration packages and relevant market trends and information).

In accordance with the relevant PRC laws and regulations, the Group contributes to the PRC social security fund (including pension insurance, medical insurance, unemployment insurance, maternity insurance and work injury insurance) and housing provident fund for its PRC employees. The Group's full-time employees in the PRC participate in a number of government-sponsored defined contribution retirement schemes under which employees are entitled to a monthly pension calculated according to certain formulas. The relevant government agencies assume the responsibility of pension payments to these retired employees. The Group makes monthly contributions to these pension schemes. Under these schemes, the Group has no obligation for post-retirement benefits other than the contributions made. Contributions to these schemes are expensed as incurred and contributions made to these defined contribution pension schemes on behalf of an employee cannot be used to reduce the Group's future obligations under these defined contribution pension schemes even if the employee leaves the Group.

## CORPORATE GOVERNANCE CODE

The Board is committed to achieving high standards of corporate governance.

The Board believes that high standards of corporate governance are key to the Group's ability to protect Shareholders' interests, enhance corporate value, develop business strategies and policies, and improve transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code as the basis for the Company's corporate governance practices. The Company has also established a corporate governance framework and has developed a set of policies and procedures in accordance with the Corporate Governance Code. These policies and procedures provide the basis for strengthening the Board's ability to exercise governance and provide appropriate oversight of the business conduct and affairs of the Company.

During the year ended 31 December 2022, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except for the deviation from code provision C.2.1 of the Corporate Governance Code. Code provision C.2.1 of the Corporate Governance Code requires that the roles of the chairman of the Board (the "**Chairman**") and the chief executive officer should be separate and should not be performed by the same individual.

Ms. Wu Guoqing is the general manager of Beijing Hongkun and is involved in the day-to-day management of our business. Although she does not hold the title of chief executive officer, she can be regarded as the *de facto* chief executive officer of the Group (the "**Chief Executive Officer**"). She is also the Chairman. Ms. Wu has been responsible for the overall management, strategic planning and day-to-day business operations of the Group. The Board believes that at this stage of the Group's development, having the roles of both the Chairman and the Chief Executive Officer in the same person brings strong and consistent leadership to the Company for effective and efficient planning and implementation of business decisions and strategies. Accordingly, the Directors consider it is appropriate and reasonable to deviate from code provision C.2.1 of the Corporate Governance Code. However, it is the Company's long term objective to have different individuals in the two roles when suitable candidates are identified.

The Group will continue to review and monitor its corporate governance practices to ensure compliance with the Corporate Governance Code.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code as its own code of conduct for dealings in securities of the Company by the Directors. Having made specific enquiries of all Directors and all Directors confirmed that they have complied with the Model Code during the year ended 31 December 2022.

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

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## AUDIT COMMITTEE

The Audit Committee, comprising Mr. Chan Cheong Tat as chairman as well as Mr. Cheung Wai Hung, Ms. Chen Weijie and Mr. Leung Ka Wo as members, has reviewed, together with the management, the accounting principles and practices adopted by the Group and discussed risk management, internal control, auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2022.

## SCOPE OF WORK OF CROWE (HK) CPA LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement are in line with the Group's audited consolidated financial statements for the year and have been agreed by the Group's auditor, Crowe (HK) CPA Limited, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Crowe (HK) CPA Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Crowe (HK) CPA Limited on the preliminary announcement.

## PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.hongkunwuye.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Shareholders and available on the above websites in due course.

## DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context requires otherwise:

| | |
|---|---|
| "AGM" | annual general meeting of the Company |
| "Audit Committee" | a committee of the Board established by the Board for the purpose of overseeing the accounting and financial reporting procedures of the Company and audits of the financial statements of the Company |
| "Beijing Hongkun" | Beijing Hongkun Ruibang Property Management Company Limited* (北京鴻坤瑞邦物業管理有限公司), a limited liability company established under the laws of the PRC on 18 June 2003 and a wholly-owned subsidiary of the Company |
| "Board" | the board of Directors of the Company |
| "Company" | Ye Xing Group Holdings Limited (燁星集團控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability on 26 March 2019 |
| "Corporate Governance Code" | the Corporate Governance Code as set out in Appendix 14 to the Listing Rules |
| "Director(s)" | the director(s) of the Company |
| "GFA" | gross floor area |
| "Group", "we", "us" or "our" | the Company, its subsidiaries and entities under the Company's control through contractual arrangements in the PRC |

| | |
|---|---|
| "Hongkun Group" | Hongkun Jituan Company Limited* (鴻坤集團有限公司) and its subsidiaries, associated companies and joint ventures |
| "Independent Third Party" | third party who is not connected with any of our Directors or our controlling Shareholders or any of our subsidiaries or any of our respective associates (within the meaning of the Listing Rules) |
| "Jiangsu Wanhao" | Jiangsu Wanhao Property Management Co., Ltd.* (江蘇萬豪物業服務有限公司), a limited liability company incorporated in the PRC on 24 September 2003 |
| "Listing" | the listing of the Shares on the Stock Exchange on 13 March 2020 |
| "Listing Rules" | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended or supplemented from time to time |
| "Model Code" | the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules |
| "Parent Group" | Beijing Herun Asset Management Company Limited* (北京合潤資產管理有限公司) and its subsidiaries, associated companies and joint ventures |
| "PRC" or "China" | the People's Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the People's Republic of China, the Macau Special Administrative Region of the People's Republic of China and Taiwan |
| "Prospectus" | the prospectus dated 28 February 2020 issued by the Company in relation to the listing of its Shares on the Main Board of the Stock Exchange |
| "RMB" | Renminbi, the lawful currency of the PRC |

| | |
|---|---|
| "Share(s)" | ordinary share(s) in the share capital of the Company with nominal value of HK$0.01 each |
| "Shareholder(s)" | holder(s) of the Share(s) |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "Tianjin Hongsheng" | Tianjin Hongsheng Property Services Company Limited* (天津鴻盛物業服務有限公司), a limited liability company established under the laws of the PRC on 27 December 2013 |

By Order of the Board
**Ye Xing Group Holdings Limited**
**Wu Guoqing**
*Chairman and executive Director*

Hong Kong, 29 March 2023

*As at the date of this announcement, the Board comprises Ms. Wu Guoqing, Mr. Zhao Weihao, Ms. Li Yin Ping and Ms. Zhang Chunying as executive Directors; Mr. Li Yifan as non-executive Director; and Mr. Cheung Wai Hung, Mr. Chan Cheong Tat, Ms. Chen Weijie and Mr. Leung Ka Wo as independent non-executive Directors.*

* *For identification purposes only*