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Huafa Property Services Group Company Limited
華發物業服務集團有限公司

(Incorporated in Bermuda with limited liability)

(Stock code: 982)

ANNOUNCEMENT OF FINAL RESULTS
FOR THE YEAR ENDED 31 DECEMBER 2022

FINANCIAL SUMMARY

- The Group's revenue amounted to RMB1,599.1 million, representing a year-on-year increase of 24.6% as compared with RMB1,283.5 million for the year ended 31 December 2021.
- The Group's revenue from property management services is derived from three business categories, during the reporting period, (i) revenue from basic property services amounted to RMB1,049.5 million, representing 65.6% of the Group's revenue, and a year-on-year increase of 27.5% as compared with RMB823.4 million for the year ended 31 December 2021; (ii) revenue from value-added services for property owners amounted to RMB171.7 million, representing 10.8% of the Group's revenue and a year-on-year increase of 51.9% as compared with RMB113.1 million for the year ended 31 December 2021; (iii) revenue from other value-added services amounted to RMB364.8 million, representing 22.8% of the Group's revenue and a year-on-year increase of 10.2% as compared with approximately RMB331.1 million for the year ended 31 December 2021.
- The Group's gross profit reached RMB395.8 million, representing a year-on-year increase of 13.8% as compared with RMB347.9 million for the year ended 31 December 2021.
- For the year ended 31 December 2022, profit attributable to owners of the Company was RMB193.4 million, representing a year-on-year increase of 24.1% as compared with RMB155.9 million in the corresponding period of 2021.
- As at 31 December 2022, the Group had an aggregated revenue-bearing GFA of approximately 24.37 million sq.m., representing an increase of approximately 20.1% over approximately 20.29 million sq.m. as at 31 December 2021; the Group had a total contracted GFA of approximately 51.82 million sq.m., representing an increase of approximately 34.1% over approximately 38.64 million sq.m. as at 31 December 2021; contract-to-management ratio of 2.13.
- As at 31 December 2022, the Group's net asset position changed from negative to positive.
- Basic earnings per share amounted to RMB1.92 cents, representing an increase of 23.9% as compared with RMB1.55 cents for the year ended 31 December 2021.

The board (the “**Board**”) of directors (the “**Directors**”) of Huafa Property Services Group Company Limited (the “**Company**”) is pleased to announce the audited condensed consolidated annual results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2022 (the “**Reporting Period**”) together with the comparative figures for the corresponding year of 2021 as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	<i>Notes</i>	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
REVENUE	<i>4</i>	1,599,056	1,283,491
Cost of sales		<u>(1,203,261)</u>	<u>(935,619)</u>
Gross profit		395,795	347,872
Other income and gains, net	<i>5</i>	29,560	8,711
Selling and marketing expenses		(5,727)	(1,409)
Administrative expenses		(98,979)	(118,106)
Impairment losses on financial assets		(22,005)	(9,284)
Finance costs, net		(9,827)	(10,191)
Share of profits and losses of:			
A joint venture		(118)	357
An associate		165	(536)
		<u> </u>	<u> </u>
PROFIT BEFORE TAX	<i>6</i>	288,864	217,414
Income tax expense	<i>7</i>	(94,392)	(61,148)
		<u> </u>	<u> </u>
PROFIT FOR THE YEAR		<u>194,472</u>	<u>156,266</u>
Attributable to:			
Owners of the parent		193,410	155,895
Non-controlling interests		1,062	371
		<u> </u>	<u> </u>
		<u>194,472</u>	<u>156,266</u>
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted			
– For profit for the year			
(expressed in RMB cents per share)	<i>9</i>	<u>1.92</u>	<u>1.55</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

31 December 2022

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

31 December 2022

1. CORPORATE AND GROUP INFORMATION

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

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

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

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

2.1 BASIS OF PREPARATION

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

Change in presentation currency

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

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

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

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

2.1 BASIS OF PREPARATION *(Continued)*

Going concern basis

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

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual arrangements; and
- (c) the Group's voting rights and potential voting rights.

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

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

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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

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

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

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

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

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

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

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

Amendments to HKFRS 10 and HKAS 28 (2011)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture³</i>
Amendments to HKFRS 16	<i>Lease Liability in a Sale and Leaseback²</i>
HKFRS 17	<i>Insurance Contracts¹</i>
Amendments to HKFRS 17	<i>Insurance Contracts^{1, 5}</i>
Amendment to HKFRS 17	<i>Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information⁶</i>
Amendments to HKAS 1	<i>Classification of Liabilities as Current or Non-current (the “2020 Amendments”)^{2, 4}</i>
Amendments to HKAS 1	<i>Non-current Liabilities with Covenants (the “2022 Amendments”)²</i>
Amendments to HKAS 1 and HKFRS Practice Statement 2	<i>Disclosure of Accounting Policies¹</i>
Amendments to HKAS 8	<i>Definition of Accounting Estimates¹</i>
Amendments to HKAS 12	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction¹</i>

2.3 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

(Continued)

- ¹ Effective for annual periods beginning on or after 1 January 2023
- ² Effective for annual periods beginning on or after 1 January 2024
- ³ No mandatory effective date yet determined but available for adoption
- ⁴ As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments, Hong Kong Interpretation 5 *Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause* was revised to align the corresponding wording with no change in conclusion
- ⁵ As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023
- ⁶ An entity that chooses to apply the transition option relating to the classification overlay set out in this amendment shall apply it on initial application of HKFRS 17

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

3. OPERATING SEGMENT INFORMATION

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

- (a) Property management – Provision of property management services and related value-added services, including municipal supporting services and other services; and
- (b) Hotel advisory and exhibition services – Provision of hotel advisory services, exhibition planning and organisation services.

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

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

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

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2022	Property management <i>RMB'000</i>	Hotel advisory and exhibition services <i>RMB'000</i>	Total <i>RMB'000</i>
Segment revenue (note 4)			
Sales to external customers	1,586,027	13,029	1,599,056
Intersegment sales	1,140	–	1,140
	<u>1,587,167</u>	<u>13,029</u>	<u>1,600,196</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(1,140)</u>
Revenue			<u><u>1,599,056</u></u>
Segment results	284,294	17	284,311
<i>Reconciliation:</i>			
Interest income			3,171
Finance costs (other than interest on lease liabilities)			(12,427)
Fair value loss on a financial asset at fair value through profit or loss			(3,591)
Corporate and other unallocated gains			<u>17,400</u>
Profit before tax			<u><u>288,864</u></u>
Segment assets	919,722	34,342	954,064
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(1,123)
Corporate and other unallocated assets			<u>36,681</u>
Total assets			<u><u>989,622</u></u>
Segment liabilities	546,603	9,367	555,970
<i>Reconciliation:</i>			
Elimination of intersegment payables			(1,123)
Corporate and other unallocated liabilities			<u>428,693</u>
Total liabilities			<u><u>983,540</u></u>
Other segment information			
Share of profits and losses of:			
A joint venture	(118)	–	(118)
An associate	165	–	165
Impairment losses recognised in the statement of profit or loss, net	21,852	153	22,005
Depreciation and amortisation	15,100	125	15,225
Investment in a joint venture	1,239	–	1,239
Investment in an associate	452	–	452
Capital expenditure*	<u>27,514</u>	<u>–</u>	<u>27,514</u>

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

3. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2021	Property management <i>RMB'000</i> (Restated)	Hotel advisory and exhibition services <i>RMB'000</i> (Restated)	Total <i>RMB'000</i> (Restated)
Segment revenue (note 4)			
Sales to external customers	1,267,563	15,928	1,283,491
Intersegment sales	65	–	65
	<u>1,267,628</u>	<u>15,928</u>	<u>1,283,556</u>
<i>Reconciliation:</i>			
Elimination of intersegment sales			<u>(65)</u>
Revenue			<u>1,283,491</u>
Segment results	233,756	3,934	237,690
<i>Reconciliation:</i>			
Interest income			5,489
Finance costs (other than interest on lease liabilities)			(15,477)
Fair value gain on a financial asset at fair value through profit or loss			2,892
Corporate and other unallocated expenses			<u>(13,180)</u>
Profit before tax			<u>217,414</u>
Segment assets	708,371	30,056	738,427
<i>Reconciliation:</i>			
Elimination of intersegment receivables			(2,933)
Corporate and other unallocated assets			<u>124,806</u>
Total assets			<u>860,300</u>
Segment liabilities	462,357	8,122	470,479
<i>Reconciliation:</i>			
Elimination of intersegment payables			(2,933)
Corporate and other unallocated liabilities			<u>519,063</u>
Total liabilities			<u>986,609</u>
Other segment information			
Share of profits and losses of:			
A joint venture	357	–	357
An associate	(536)	–	(536)
Impairment losses recognised in the statement of profit or loss, net	9,379	(95)	9,284
Depreciation and amortisation	11,331	251	11,582
Investment in a joint venture	1,357	–	1,357
Investment in an associate	287	–	287
Capital expenditure*	<u>20,306</u>	<u>721</u>	<u>21,027</u>

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

3. OPERATING SEGMENT INFORMATION *(Continued)*

Geographical information

(a) Revenue from external customers

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

(b) Non-current assets

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Mainland China	59,488	47,426
Hong Kong	772	933
	<u>60,260</u>	<u>48,359</u>

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

Information about a major customer

For the year ended 31 December 2022, revenue from Zhuhai Huafa and the fellow subsidiaries (“**Zhuhai Huafa Group**”) contributed 35% (2021: 34%) to the Group's revenue. Other than the revenue from the Zhuhai Huafa Group, no revenue derived from sales to a single customer or a group of customers under common control accounted for 10% or more of the Group's revenue for the years ended 31 December 2022 and 2021.

4. REVENUE

An analysis of revenue is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i> (Restated)
Revenue from contracts with customers	<u>1,599,056</u>	<u>1,283,491</u>

4. REVENUE (Continued)

Revenue from contracts with customers

(a) Disaggregated revenue information

For the year ended 31 December 2022

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

4. REVENUE (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

For the year ended 31 December 2021

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

The following table shows the amounts of revenue recognised in the current reporting period that were included in the contract liabilities at the beginning of the reporting period and recognised from performance obligations satisfied in previous periods:

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

5. OTHER INCOME AND GAINS, NET

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

6. PROFIT BEFORE TAX

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

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

6. PROFIT BEFORE TAX *(Continued)*

* Cost of services provided for the year included an aggregate amount of RMB670,326,000 (2021: RMB609,838,000) which comprised items including employee benefit expense, depreciation of property, plant and equipment, amortisation of intangible assets and rental expense. These items were also included in the respective expense items disclosed above.

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

7. INCOME TAX

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

Hong Kong profits tax

The statutory rate of Hong Kong profits tax was 16.5% (2021: 16.5%) on the estimated assessable profits arising in Hong Kong.

PRC corporate income tax (“CIT”)

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

	2022 <i>RMB’000</i>	2021 <i>RMB’000</i> (Restated)
Current tax	71,370	66,076
Overprovision in prior years	(736)	(892)
Deferred tax	23,758	(4,036)
	<hr/>	<hr/>
Income tax expense	<u>94,392</u>	<u>61,148</u>

8. DIVIDEND

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

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

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

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

The calculation of basic earnings per share is based on:

	2022	2021 (Restated)
Earnings		
Profit attributable to ordinary equity holders of the parent (<i>RMB'000</i>)	<u>193,410</u>	<u>155,895</u>
Shares		
Weighted average number of ordinary shares in issue during the year (<i>in thousand</i>)	<u>10,060,920</u>	<u>10,060,920</u>
Basic earnings per share (<i>RMB cents per share</i>)	<u>1.92</u>	<u>1.55</u>

10. TRADE RECEIVABLES

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

10. TRADE RECEIVABLES *(Continued)*

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

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

11. TRADE PAYABLES

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

OVERVIEW

The Group is committed to becoming a community life operator and comprehensive facility service provider with a global vision, adhering to quality innovation, advocating knowledge management and practising social responsibility. Having been deeply involved in the property service industry for 37 years, the Group has developed from a regional property management enterprise into a national life service enterprise, forming a business pattern based in the Greater Bay Area and covering the whole country. As of 31 December 2022, the Group had a total contracted gross floor area (“GFA”) of approximately 51.82 million sq.m. (the corresponding period of 2021: approximately 38.64 million sq.m.). The Group provided property management services and value-added services to 302 properties (the corresponding period of 2021: 267 properties), with an aggregated revenue-bearing GFA of approximately 24.37 million sq.m. (the corresponding period of 2021: approximately 20.29 million sq.m.).

We stayed true to our original aspiration. The Group adheres to the original intention of service, regards quality service as the lifeblood and red line of enterprise development, always adheres to the professional, standardized and refined service requirements, pays attention to customer needs, continuously promotes the deepening of service development, and strives to provide customers with intelligent and warm service. During the year, the Group has been highly recognized by the industry for its world-class service quality and leading brand strength, and received many honors, including the “19th amongst the 2022 China Property Service in terms of Overall Strength (2022中國物業服務綜合實力第19名)”, “2022 China State-owned Property Service Excellent Enterprise (2022中國國有物業服務優秀企業)”, “2022 Top 100 Leading Enterprises in terms of Property Service Satisfaction in China (2022中國物業服務百強滿意度領先企業)” and the “Most Valuable Property Management Company in the 6th Golden Hong Kong Stocks (第六屆金港股最具價値物業公司)”.

BUSINESS REVIEW

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

PROPERTY MANAGEMENT SERVICES

(I) Basic property services

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

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

OUR GEOGRAPHIC DISTRIBUTION

As of 31 December 2022, Huafa Property Services Company Limited* (華發物業服務有限公司) (“**Huafa Property**”) managed a portfolio of properties covering 42 (the corresponding period of 2021: 40) key cities in the PRC including Beijing, Shanghai, Guangzhou, Shenzhen, Wuhan, Chongqing and Nanjing, forming a development trend foothold in the Greater Bay Area and covering the whole country.

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

	For the year ended 31 December or as at 31 December					
	2022			2021		
	Revenue-bearing GFA (’000 sq.m.)	Revenue (RMB’000)	%	Revenue-bearing GFA (’000 sq.m.)	Revenue (RMB’000)	%
Greater Bay Area	16,168	775,901	73.9%	12,638	638,586	77.6%
Bohai Bay Area	3,842	102,043	9.7%	3,832	62,610	7.6%
Yangtze River Delta	1,207	77,572	7.4%	1,260	52,687	6.4%
Central China	3,156	94,014	9.0%	2,558	69,552	8.4%
Total	<u>24,373</u>	<u>1,049,530</u>	<u>100.0%</u>	<u>20,288</u>	<u>823,435</u>	<u>100.0%</u>

THIRD-PARTY EXPANSION OPPORTUNITIES

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

During the Reporting Period, Huafa Property was successful in winning bids for a number of public building management projects, including the Zhuhai Municipal Government Compound, the Zhuhai Water Supply Engineering Company Limited project, and the Yangjiang City section of China Mobile Guangdong’s property management services, further consolidating its presence in the public building management sector. The official entry into the Customs and Excise Department and the Qingmao Customs Office and the winning of the tender for the Science and Technology Innovation Industrial Park in the Zhuhai High-Tech Zone opened a new chapter in the expansion of Huafa Property’s services in the specialty customs and industrial park sectors.

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

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

	For the year ended 31 December or as at 31 December					
	2022			2021		
	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%
Properties developed by Zhuhai Huafa Group	21,187	872,415	83.1%	18,060	710,248	86.3%
Properties developed by independent property developers	3,186	177,115	16.9%	2,228	113,187	13.7%
Total	<u>24,373</u>	<u>1,049,530</u>	<u>100.0%</u>	<u>20,288</u>	<u>823,435</u>	<u>100.0%</u>

BUSINESS DISTRIBUTION

The Group's business covers a variety of property types, including residential properties, non-residential properties (such as office buildings, shopping malls, government buildings, ports, industrial parks, schools, hospitals, etc.), as well as providing other specialized high-quality customized services. As at 31 December 2022, the revenue-bearing GFA of non-residential properties under management of the Group was approximately 5.5 million sq.m., representing an increase of approximately 38.6% compared with approximately 4.0 million sq.m. as at 31 December 2021.

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

	For the year ended 31 December or as at 31 December					
	2022			2021		
	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%	Revenue-bearing GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	%
Residential properties	18,864	652,349	62.2%	16,314	569,605	69.2%
Non-residential properties	5,509	397,181	37.8%	3,974	253,830	30.8%
Total	<u>24,373</u>	<u>1,049,530</u>	<u>100.0%</u>	<u>20,288</u>	<u>823,435</u>	<u>100.0%</u>

(II) Value-added services for property owners

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

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

(III) Other value-added services

We mainly provide (i) supporting services for developers, including security, cleaning, landscaping and maintenance services to property developers in the pre-delivery stage; consulting services on pre-sale business management for property developers and consulting services on properties managed by other property management companies; (ii) urban services, namely smart city integrated comprehensive services centered on urban space management, urban community governance, urban resource operation and smart park services, including waste classification, sanitation and cleaning, landscaping, municipal maintenance and ecological and environmental protection; (iii) intelligent services for building elevators. The Group has more than 20 years of rich experience in building intelligentization, mechanical and electrical equipment and facility management, maintenance, repair and replacement and transformation and is taking over a number of out-of-system businesses with professional qualifications and good reputation; (iv) security services. The security business of the Group has formed a business development model based on human security and oriented towards smart security, mobile security, remote security and comprehensive security, covering professional operation of civil air defense, material defense, technical defense, labor dispatch, large-scale conference services, bodyguards, public motor vehicle parking lot contracting and management services, property internal security services; and (v) catering services, which is a newly added service of the Group, including canteen dining service, meal delivery, food delivery, afternoon tea and drinking water and other businesses. During the Reporting Period, Zhuhai Huafa Catering Management Services Co., Ltd* (珠海華發餐飲管理服務有限公司) passed 8 system certifications including the food safety management system. In the future, we will take this opportunity to actively create an excellent quality catering service system, and strive to become a demonstration benchmark for Zhuhai’s catering industry.

During the Reporting Period, the Group's revenue from other value-added services was approximately RMB364,781,000, representing a year-on-year increase of approximately 10.2% from approximately RMB331,050,000 for the year ended 31 December 2021. The increase was mainly attributable to the new catering service business during the Reporting Period, as well as the continuous development of existing businesses such as building elevator intelligence and security services.

HOTEL ADVISORY AND EXHIBITION SERVICES

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

FINANCIAL REVIEW

Revenue

The Group is principally engaged in property management services, hotel advisory and exhibition services. Revenue from property management services accounted for 99.2% of the total revenue, which is mainly derived from (i) basic property services; (ii) value-added services for property owners; and (iii) other value-added services.

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

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

	For the year ended 31 December				Growth rate (%)
	2022		2021		
	<i>RMB'000</i>	<i>Percentage of revenue (%)</i>	<i>RMB'000</i>	<i>Percentage of revenue (%)</i>	
Property management services	1,586,027	99.2	1,267,563	98.8	25.1
– Basic property services	1,049,530	65.6	823,435	64.2	27.5
– Value-added services for property owners	171,716	10.8	113,078	8.8	51.9
– Other value-added services	364,781	22.8	331,050	25.8	10.2
Hotel advisory and exhibition services	13,029	0.8	15,928	1.2	-18.2
Total	1,599,056	100	1,283,491	100	24.6

Cost of sales

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

Gross profit

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

Other income and other gains, net

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

Administrative expenses

For the year ended 31 December 2022, the Group's total administrative expenses amounted to RMB98,979,000, representing a decrease of approximately 16.2% from approximately RMB118,106,000 for the year ended 31 December 2021. Such decrease was mainly due to that by adhering to the consistent principle of being prudent, the management of the Company (the "Management") proactively expanded its operations while reducing costs and increasing efficiency.

Finance costs, net

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

Profit for the year

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

LIQUIDITY AND FINANCIAL RESOURCES

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

CAPITAL STRUCTURE

There was no material change in the capital structure of the Company during the Reporting Period.

EXPOSURE TO FLUCTUATIONS IN INTEREST RATES

As at 31 December 2022, the Group's interest-bearing financial assets primarily comprised bank deposits and the Group's interest-bearing financial liabilities primarily comprised bank borrowings. As there was no significant financial risk arising from changes in interest rates, the Group had no interest rate hedging policy.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES

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

EXPOSURE TO CREDIT RISK

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

EXPOSURE TO PRICE RISK

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

LIQUIDITY RISK

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

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

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

SIGNIFICANT ACQUISITIONS AND DISPOSALS OF INVESTMENTS

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

EMPLOYEES

As at 31 December 2022, the Group had a total of 8,524 employees (2021: 8,351). Staff costs of the Group amounted to approximately RMB719,191,000 for the year ended 31 December 2022 (2021: approximately RMB673,448,000), which comprised salaries, commissions, bonuses, other allowances, and contributions to retirement benefit schemes. The Group operates a defined contribution scheme under the Mandatory Provident Fund Schemes Ordinance and provides medical insurance to all its Hong Kong employees. For Mainland employees, social insurance, housing provident fund and pension are provided. The Group structures its employee remuneration packages with reference to general market practice, employees' duties and responsibilities, and the Group's financial performance. The Group provides training courses and developed training programmes to equip its staff with the necessary skills, techniques and knowledge to enhance their productivity and administrative efficiency.

PLEDGE OF ASSETS

As at 31 December 2022, the Group had no pledged assets (2021: Nil).

CONTINGENT LIABILITIES

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

CAPITAL EXPENDITURE

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

CAPITAL COMMITMENTS

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

BUSINESS PLAN

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

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

Expanding in all directions and increasing the business scale

The Group is committed to leveraging its existing high-standard service system to form a development trend rooted in the Greater Bay Area and radiating throughout China. During the Reporting Period, in respect of basic property services, the Group achieved a steady growth in the scale of the Company by actively expanding into the market while providing services to its existing projects. As at 31 December 2022, the Group achieved a year-on-year growth of 34.1% in contracted GFA and an optimized business mix, with a year-on-year growth of 56.5% in revenue from properties developed by independent property developers and 56.5% in revenue from basic property management for non-residential properties for the year ended 31 December 2022. In the future, the Group will continue to undertake related party projects efficiently, focus on key cities and key business, and expand through multiple channels such as bidding, strategic cooperation and M&A to achieve quality outbound expansion. In respect of value-added services for property owners, the Group has formed ten key business systems with five types of services based on “owner-centric”, and during the Reporting Period, revenue from value-added services for property owners increased by 51.9% year-on-year. In the future, the Group will continue to focus on the development of community value-added service ecology to provide one-stop community life scenario full-cycle services. Based on its own platform of “Huawu Youxuan (華物優選)”, the Group will introduce high-quality suppliers or cooperate with leading enterprises in professional

fields to extend service offerings, broaden service boundaries, maximize the use of community resources to enhance the convenience and happiness of owners' lives and establish a complete community value-added service ecological system. In terms of other value-added services, the Group will combine its own and national development policies to export specialized services such as urban services, building elevator intelligence, catering and security services through its subsidiaries while expanding various businesses in a selective and directional manner to further increase the scale of the Company's business.

Refined management empowered by technology

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

Enhance quality and efficiency with efficient synergy

In January 2023, Zhuhai Huafa Properties Co., Ltd. (珠海華發實業股份有限公司) (“**Huafa Properties**”) formally became the indirect controlling shareholder of the Company. In the future, the Group will integrate the resources and advantages of Huafa Properties and the Company in the real estate development and property management business from the perspective of maximizing overall interests, and strengthen the service synergy, business synergy and control synergy between the Company and Huafa Properties to achieve the goal of enhancing quality and increasing efficiency. The Group will promote the synergistic development of upstream and downstream businesses between the two listed companies, deepen the community value chain around the lifespan of property projects, improve the management level and operational efficiency of the Company in all aspects, and achieve high-quality development.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES

Neither the Company nor any of its subsidiaries have purchased, sold or redeemed any of the Company’s listed securities during the Reporting Period.

CORPORATE GOVERNANCE

During the Reporting Period and save as disclosed in this announcement, the Directors are of the opinion that the Company has complied with all code provisions as set out in the Corporate Governance Code (the “**CG Code**”) in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), except for a deviation from the code provision C.2.1 of the CG Code.

The code provision C.2.1 of the CG Code stipulates that the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has deviated from this code provision as Mr. Zhou Wenbin has acted as both chairman of the Board and the chief executive officer of the Company since 18 November 2022.

The Board believes that the roles of the chairman of the Board and the chief executive officer of the Company performed by the same individual will continue to ensure that the Group has consistent leadership and the ability to make and implement the overall strategy of the Group effectively. The Board believes that this structure does not compromise the balance of power and authority between the Board and the management of the Company. The Board will regularly review the effectiveness of this structure to ensure that it is appropriate to the Group’s circumstances.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in the Appendix 10 to the Listing Rules as its own code of conduct regarding Directors’ securities transactions. Having made specific enquiries with all Directors, all Directors have confirmed that they have complied with the Model Code during the Reporting Period and up to the date of this announcement.

PROPOSED FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2022.

AUDIT COMMITTEE

The audit committee of the Company (the “**Audit Committee**”) was established on 25 June 2008 and the written terms of reference of Audit Committee are aligned with the CG Code. The Audit Committee is chaired by Dr. Chen Jieping and as at the date of this announcement, the Audit Committee members are all independent non-executive Directors, namely Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai.

The primary duties of the Audit Committee are to review and supervise the financial reporting process, risk management and internal controls systems of the Company and provide advice and comments on the Company's draft annual reports and accounts to Directors.

The Audit Committee held two meetings during the Reporting Period to review the audited consolidated financial statements for the year ended 31 December 2021 and the unaudited consolidated financial statements for the six months ended 30 June 2022, with recommendations to the Board for approval; and reviewed the accounting principles and policies adopted by the Group and its financial reporting functions, risk management and internal control systems. During the Reporting Period, the Audit Committee met the Company's auditor twice.

The Group's annual results for the year ended 31 December 2022 have been reviewed by the Audit Committee, which was of the opinion that the preparation of such results complied with the applicable accounting standards and requirements and that adequate disclosures have been made.

SCOPE OF WORK OF ERNST & YOUNG

The figures above in respect of this annual results announcement for the year ended 31 December 2022 have been agreed with the Company's auditor, Ernst & Young, certified public accountants ("**Ernst & Young**"), to be consistent with the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Ernst & Young 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 Ernst & Young on this announcement.

EVENTS AFTER THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

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

On 28 February 2023, Huafa Property (an indirect wholly-owned subsidiary of the Company) and Zhuhai Huafa Group Finance Co., Ltd.* (珠海華發集團財務有限公司) (“**Huafa Finance Company**”), a subsidiary of Zhuhai Huafa and a connected person of the Company, had entered into the Financial Service Framework Agreement, pursuant to which Huafa Finance Company agreed to provide certain deposit services to the Huafa Property and its subsidiaries (“**Huafa Property Group**”) according to the requirements of the Huafa Property Group and formulation of optimal deposit portfolio for the Huafa Property Group, including the current deposit, time deposit, call deposit and agreement deposit. The Financial Service Framework Agreement and the transaction contemplated thereunder constituted a continuing connected transaction of the Company. For further details, please refer to the announcement of the Company dated 28 February 2023.

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

PUBLIC FLOAT

The Company has maintained the public float as required by the Listing Rules up to the date of this announcement.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the forthcoming annual general meeting to be held on Wednesday, 31 May 2023, all transfer of shares, accompanied by the relevant share certificates and transfer forms, must be lodged with the Company’s branch share registrar in Hong Kong, Tricor Investor Services Limited, 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 24 May 2023.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This announcement is published on the website of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company’s website (www.huafapropertyservices.com). The 2022 annual report will be despatched to the shareholders of the Company and will be available on websites of Hong Kong Exchanges and Clearing Limited and the Company in due course.

ACKNOWLEDGEMENT

I would like to express my sincere gratitude to our clients and shareholders for their continuous and valuable support. I would also like to take this opportunity to thank our Board of Directors, management team and staff for their dedication and hard work during last year.

By order of the Board
Huafa Property Services Group Company Limited
Zhou Wenbin
Executive Director, Chairman and Chief Executive Officer

Hong Kong, 29 March 2023

As at the date of this announcement, the Board of the Company comprises Mr. Zhou Wenbin (Executive Director, Chairman and Chief Executive Officer), Mr. Li Guangning, Mr. Xie Wei, Mr. Xie Hui and Mr. Gu Yuanping (all being Executive Directors); Mr. Zou Chaoyong (Non-Executive Director); Dr. Chen Jieping, Mr. Pu Yonghao and Mr. Guo Shihai (all being Independent Non-Executive Directors).

* *For identification purposes only*