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C&D Property Management Group Co., Ltd

建發物業管理集團有限公司

(Incorporated in the British Virgin Islands with limited liability)

(Stock Code: 2156)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

HIGHLIGHTS

1. The revenue of the Group for the Year was approximately RMB2,290.5 million, representing an increase of approximately 47.1% from approximately RMB1,556.6 million for the year ended 31 December 2021.
2. The gross profit of the Group for the Year was approximately RMB537.0 million, representing an increase of approximately 37.9% from approximately RMB389.4 million for the year ended 31 December 2021. The gross profit margin for the Year was approximately 23.4%, while that for the year ended 31 December 2021 was approximately 25.0%, representing a decrease of 1.6% as compared to previous financial year.
3. The profit of the Group for the Year was approximately RMB251.3 million, representing an increase of approximately 56.2%, as compared with approximately RMB160.9 million for the year ended 31 December 2021. Meanwhile, the profit attributable to equity holders of the Company for the Year was approximately RMB247.2 million, representing an increase of approximately 55.1% as compared with approximately RMB159.4 million for the year ended 31 December 2021.
4. The contracted GFA of the property management services of the Group as at 31 December 2022 was approximately 90.6 million sq.m., representing an increase of approximately 22.6% as compared with approximately 73.9 million sq.m. as at 31 December 2021.
5. The net cash inflow from operating activities of the Group for the Year amounted to approximately RMB495.7 million, representing a decrease of approximately 44.1% as compared with approximately RMB886.5 million for the year ended 31 December 2021.
6. The Board recommended the payment of a final dividend of HK\$0.1 per Share. The final dividend will be payable in cash, but the Eligible Shareholders will have the option of electing to receive the final dividend in the form of new Shares in lieu of cash in respect of part or all of the final dividend.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

The board (the “Board”) of directors (the “Directors”) of C&D Property Management Group Co., Ltd (the “Company”) is pleased to announce the consolidated results of the Company and its subsidiaries (collectively, the “Group” or “we”) for the year ended 31 December 2022 (the “Year”) together with the comparative figures for the year ended 31 December 2021.

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 | 2,290,473 | 1,556,645 |
| Cost of sales | | (1,753,477) | (1,167,289) |
| Gross profit | | 536,996 | 389,356 |
| Other income | | 16,516 | 10,921 |
| Selling and marketing expenses | | (7,574) | (3,796) |
| Administrative and other operating expenses | | (287,176) | (212,870) |
| Provision for expected credit losses allowance on trade and other receivables, net | | (4,591) | (468) |
| Finance income, net | | 71,071 | 21,509 |
| Share of results of associates | | (533) | 400 |
| Profit before income tax | | 324,709 | 205,052 |
| Income tax expense | 8 | (73,391) | (44,150) |
| Profit for the year | | 251,318 | 160,902 |
| Other comprehensive income | | | |
| <i>Item that may be reclassified subsequently to profit or loss:</i> | | | |
| Exchange differences on translation of financial statements of foreign operations | | 34,020 | 323 |
| Total comprehensive income for the year | | 285,338 | 161,225 |
| Profit for the year attributable to: | | | |
| — Equity holders of the Company | | 247,212 | 159,374 |
| — Non-controlling interests | | 4,106 | 1,528 |
| | | 251,318 | 160,902 |
| Profit and total comprehensive income attributable to: | | | |
| — Equity holders of the Company | | 281,232 | 159,697 |
| — Non-controlling interests | | 4,106 | 1,528 |
| | | 285,338 | 161,225 |
| Earnings per share attributable to the equity holders of the Company (expressed in RMB per share) | | | |
| Basic | 9 | 0.19 | 0.13 |
| Diluted | 9 | 0.18 | 0.13 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

| | <i>Notes</i> | 2022 RMB'000 | 2021 <i>RMB'000</i> |
|--|--------------|-------------------------------|------------------------|
| ASSETS AND LIABILITIES | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 35,572 | 30,659 |
| Right-of-use assets | | 21,527 | 21,035 |
| Interests in associates | | 1,337 | 1,870 |
| Goodwill | | 59,634 | 30,705 |
| Intangible assets | | 16,564 | 10,069 |
| Deferred tax assets | | 15,023 | 7,113 |
| | | <u>149,657</u> | <u>101,451</u> |
| Current assets | | | |
| Inventories | | 39,602 | 12,260 |
| Trade and other receivables | 5 | 358,102 | 201,467 |
| Amount due from related parties | 7(a) | 23,164 | – |
| Income tax recoverable | | – | 178 |
| Restricted bank deposits | | 32,929 | 35,887 |
| Cash and cash equivalents | | 2,703,119 | 2,261,445 |
| | | <u>3,156,916</u> | <u>2,511,237</u> |
| Current liabilities | | | |
| Trade and other payables | 6 | 941,180 | 732,752 |
| Contract liabilities | 4(a) | 990,085 | 787,299 |
| Amounts due to related parties | 7(b) | 126 | 1,775 |
| Income tax payables | | 68,963 | 38,093 |
| Interest-bearing borrowings | | 1,500 | – |
| Lease liabilities | | 3,607 | 6,284 |
| | | <u>2,005,461</u> | <u>1,566,203</u> |
| Net current assets | | <u>1,151,455</u> | <u>945,034</u> |
| Total assets less current liabilities | | <u>1,301,112</u> | <u>1,046,485</u> |

| | 2022 | 2021 |
|---|-------------------------|------------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Non-current liabilities | | |
| Interest-bearing borrowings | 8,500 | – |
| Lease liabilities | 11,972 | 7,886 |
| Deferred tax liabilities | 7,937 | 7,341 |
| | <u>28,409</u> | <u>15,227</u> |
| Net assets | <u>1,272,703</u> | <u>1,031,258</u> |
| CAPITAL AND RESERVES | | |
| Share capital | 11,286 | 11,286 |
| Reserves | 1,234,471 | 1,000,123 |
| Equity attributable to the equity holders of the Company | 1,245,757 | 1,011,409 |
| Non-controlling interests | 26,946 | 19,849 |
| Total equity | <u>1,272,703</u> | <u>1,031,258</u> |

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2022

1. GENERAL INFORMATION

C&D Property Management Group Co., Ltd (the “Company”) was incorporated as a company with limited liability in the British Virgin Islands (“BVI”) on 4 May 2016. The address of the registered office of the Company is 2/F, Palm Grove House, P.O. Box 3340, Road Town, Tortola, BVI and its principal place of business in Hong Kong is located at Room 3517, 35/F, Wu Chung House, 213 Queen’s Road East, Wan Chai, Hong Kong.

The Company is an investment holding company and has not carried out any business since its incorporation. The Company and its subsidiaries (collectively, the “Group”) are principally engaged in the provision of property management services, community value-added and synergy services, the value-added services to non-property owners and commercial property operation management services in the People’s Republic of China (“China” or “The PRC”)

On 31 December 2020, the Company has its shares listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) (the “Listing”).

The Company’s immediate holding company is C&D International Investment Group Limited (“C&D International”), a company incorporated in the Cayman Islands with limited liability and its shares are listed on the Main Board of the Stock Exchange; C&D Real Estate Corporation Limited* (建發房地產集團有限公司) (“C&D Real Estate”) which was incorporated in the PRC with limited liability, are the Company’s intermediate holding companies, whereas the directors of the Company regard Xiamen C&D Corporation Limited* (廈門建發集團有限公司) (“Xiamen C&D”), a state-owned enterprise incorporated in the PRC with limited liability, as the Company’s ultimate holding company and controlling party (the “Controlling Shareholder”).

* The English translation of the name of the companies established in the PRC are for reference only. The official names of these companies are in Chinese.

The consolidated financial statements for the year ended 31 December 2022 were approved for issue by the Board of Directors on 30 March 2023.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These consolidated financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards (“HKASs”) and Interpretations issued by the HKICPA and the accounting principles generally accepted in Hong Kong. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (“Listing Rules”).

The significant accounting policies were consistent with those applied to the preparation of the Group's annual consolidated financial statements for the year ended 31 December 2021, except for the changes in accounting policies in relation to the adoption of new and amended HKFRSs and the impacts on the Group's consolidated financial statements if any, are disclosed in note 3.

The consolidated financial statements have been prepared under the historical cost convention. The Company's functional currency is Hong Kong Dollars ("HK\$"). However, the consolidated financial statements are presented in Renminbi ("RMB"), as the directors of the Company consider that RMB is the functional currency of the primary economic environment in which most of the transactions of the principal activities in the PRC are denominated and settled in and this presentation is more useful for its current and potential investors. The consolidated financial statements are presented in thousands of RMB ("RMB'000") unless otherwise stated.

It should be noted that accounting estimates and assumptions are used in preparation of consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

2.2 Basis of consolidation

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

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

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

Non-controlling interests in the results and equity of subsidiaries are presented separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position.

(i) Business combinations under common control

The consolidated financial statements incorporates the financial statement items of the entities or businesses in which the common control combination occurs as if they had been combined from the date when the entities or businesses first came under the control of the controlling party.

The net assets of the combining entities or businesses are combined using the existing book values from the controlling party's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquirer's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

An uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities or businesses are eliminated.

(ii) *Business combinations not under common control*

The Group applies the acquisition method to account for business combinations not under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interests in the acquiree on an acquisition-by-acquisition basis. Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are measured at either fair value or the present ownership interests' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition-date fair value, unless another measurement basis is required by HKFRSs. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interests recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference, after reassessment, is recognised directly in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. When necessary, amounts reported by subsidiaries have been adjusted to conform to the Group's accounting policies.

(iii) Change in ownership interests

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified or permitted by applicable HKFRSs.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions — that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iv) Separate financial statements

Investment in a subsidiary is accounted for at cost less impairment loss. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investment in a subsidiary is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount of the investee's net assets including goodwill in the consolidated statement of financial position.

3. ADOPTION OF NEW AND AMENDED HKFRSs AND CHANGES IN ACCOUNTING POLICIES

(i) Amended HKFRSs that are effective for annual periods beginning on 1 January 2022

In the current year, the Group has applied for the first time the following amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

| | |
|----------------------------------|--|
| 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 HKFRS 3 | Reference to the Conceptual Framework |
| Amendments to HKFRSs | Annual Improvements to HKFRS Standards 2018–2020 |
| Accounting Guideline 5 (Revised) | Merger Accounting for Common Control Combinations |

The adoption of the amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

(ii) Issued but not yet effective HKFRSs

The Group has not early applied the following new and amended HKFRSs which have been issued but are not yet effective:

| | |
|---|---|
| HKFRS 17 | Insurance Contract and related amendments ¹ |
| Amendments to HKFRS 10 and HKAS 28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³ |
| Amendment to HKFRS 16 | Lease Liability in a Sale and Leaseback ² |
| Amendments to HKAS 1 | Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ² |
| Amendments to HKAS 1 | Non-current Liabilities with Covenants ² |
| Amendments to HKAS 1 and HKFRS Practice Statement 2 | Disclosure of Accounting Policies ¹ |
| Amendments to HKAS 8 | Definition of Accounting Estimates ¹ |
| Amendments to HKAS 12 | Deferred Tax related to Assets and Liabilities arising from a Single Transaction ¹ |

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

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

³ Effective date to be determined

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

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. Earlier application is permitted. Except for the disclosures of accounting policies in note 2 to consolidated financial statements may need to be revised to cope with the above changes, the directors expect that the amendments have no other material impact on the consolidated financial statements.

4. REVENUE AND SEGMENT INFORMATION

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

During the years ended 31 December 2022 and 2021, the Group is principally engaged in the provision of property management services, commercial property operation management services and value-added services in the PRC. Management reviews the operating results of the business as one operating segment to make about resources to be allocated. Therefore, the CODM of the Company regards that there is only one segment which is monitored to make strategic decision.

Revenue mainly comprises proceeds from property management services, commercial property operation management services and value-added services. An analysis of the Group's revenue by category for the year ended 31 December 2022 is as follows:

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Revenue from customers and recognised over time | | |
| Property management services | 1,036,175 | 758,618 |
| Commercial property operation management services | 24,043 | – |
| Value-added services | | |
| — Community value-added and synergy services | 281,943 | 131,845 |
| — Value-added services to non-property owners | 754,471 | 544,047 |
| | <u>2,096,632</u> | <u>1,434,510</u> |
| Revenue from customers and recognised at point in time | | |
| Community value-added and synergy services | 193,841 | 122,135 |
| | <u>2,290,473</u> | <u>1,556,645</u> |

Information about major customers

For the year ended 31 December 2022, revenue from entities controlled by Xiamen C&D and its associates contributed to 37% (2021: 39%) of the Group's revenue. Other than entities controlled by Xiamen C&D and associates of Xiamen C&D, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue.

Geographical information

The principal operating entities of the Group are domiciled in the PRC. Accordingly, all of the Group's revenue were derived in the PRC during the years ended 31 December 2022 and 2021. As at 31 December 2022 and 2021, substantially all of the specified non-current assets (other than deferred tax assets) of the Group were located in the PRC.

(a) *Contract liabilities*

The Group recognises the following revenue-related contract liabilities:

| | 2022 | 2021 |
|---|----------------|---------|
| | RMB'000 | RMB'000 |
| Property management services | 262,506 | 184,140 |
| Community value-added and synergy services | 722,625 | 603,159 |
| Value-added services to non-property owners | 4,713 | – |
| Commercial property operation management services | 241 | – |
| | 990,085 | 787,299 |

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

(b) *Revenue recognised in relation to contract liabilities*

The following table shows the revenue recognised during the year ended 31 December 2022 related to carried-forward contract liabilities:

| | 2022 | 2021 |
|--|----------------|---------|
| | RMB'000 | RMB'000 |
| Revenue recognised that was included in contract liabilities at the beginning of the year | | |
| Property management services | 184,030 | 127,248 |
| Community value-added and synergy services | 70,690 | 50,007 |
| | 254,720 | 177,255 |

(c) *Unsatisfied performance obligations*

For property management services and commercial property operation management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. For value-added services to non-property owners, the Group expects that the majority of the contract amounts allocated to unsatisfied performance obligations will be recognised as revenue from providing services during the next reporting period.

For community value-added and synergy services, the transaction price allocated to the remaining unsatisfied or partially satisfied performance obligations as at 31 December 2022 is as follows:

| | 2022 | 2021 |
|--------------------|----------------|---------|
| | RMB'000 | RMB'000 |
| Within one year | 775,793 | 80,343 |
| More than one year | 92,225 | 588,263 |
| | 868,018 | 668,606 |

5. TRADE AND OTHER RECEIVABLES

| | <i>Notes</i> | 2022 RMB'000 | 2021 RMB'000 |
|---|--------------|-------------------------------|-----------------|
| Trade receivables | | | |
| — Third parties | | 169,563 | 86,443 |
| — Related parties | | 81,561 | 53,631 |
| | | 251,124 | 140,074 |
| Less: Provision for expected credit losses (“ECL”) allowance of trade receivables | | (10,301) | (6,922) |
| | <i>(a)</i> | 240,823 | 133,152 |
| Other receivables | | | |
| Deposits | | 17,787 | 13,369 |
| Prepayments | | 34,587 | 11,804 |
| Other receivables | | 29,113 | 7,310 |
| Payment on behalf of property owners | | 30,643 | 34,191 |
| Value-added tax receivables | | 8,857 | 3,994 |
| Other tax recoverable | | — | 143 |
| | | 120,987 | 70,811 |
| Less: Provision for ECL allowance of other receivables | | (3,708) | (2,496) |
| | <i>(b)</i> | 117,279 | 68,315 |
| | | 358,102 | 201,467 |

(a) Trade receivables

Trade receivables mainly arise from property management services and commercial property operation management services managed under lump-sum basis and value-added services.

Property management services and commercial property operation management services income under lump-sum basis are received in accordance with the term of the relevant property service agreements. Service income from property management services and commercial property operation management services are due for payment by property owners upon rendering of services.

Income from value-added services other than smart community services are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of invoice. Smart community services income are received in accordance with the terms of the relevant service agreements, and the Group normally allows credit period ranged from 5 days to 60 days to its customers.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

The ageing analysis of trade receivables, net of ECL allowance, based on invoice date, is as follows:

| | 2022 | 2021 |
|--------------|-----------------------|----------------|
| | RMB'000 | RMB'000 |
| 0–180 days | 185,661 | 97,933 |
| 181–365 days | 34,226 | 21,056 |
| 1–2 years | 16,597 | 11,723 |
| 2–3 years | 3,301 | 1,780 |
| 3–4 years | 755 | 533 |
| 4–5 years | 283 | 127 |
| | <u>240,823</u> | <u>133,152</u> |

(b) Other receivables

The balances mainly represent the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

6. TRADE AND OTHER PAYABLES

| | 2022 | 2021 |
|---|-----------------------|----------------|
| <i>Note</i> | RMB'000 | RMB'000 |
| Trade payables | | |
| — Third parties | 152,897 | 90,970 |
| — Related parties | 938 | 340 |
| | <u>153,835</u> | <u>91,310</u> |
| Other payables | | |
| Accrued charges and other payables | 95,227 | 86,686 |
| Amounts collected on behalf of property owners | 133,264 | 112,971 |
| Deposit received | 156,144 | 124,785 |
| Value-added tax payable | 94,846 | 75,784 |
| Other tax payable | 3,380 | 3,464 |
| Staff costs and welfare accruals | 235,177 | 181,666 |
| Payable in relation to the restricted shares incentive scheme | 69,307 | 56,086 |
| | <u>787,345</u> | <u>641,442</u> |
| | <u>941,180</u> | <u>732,752</u> |

- (a) The credit terms of trade payables vary according to the terms agreed with different suppliers. The ageing analysis of the trade payables based on invoice date, is as follows:

| | 2022 | 2021 |
|---------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0 to 30 days | 88,057 | 43,996 |
| 31 to 60 days | 12,380 | 8,839 |
| 61 to 90 days | 6,608 | 1,951 |
| Over 90 days | 46,790 | 36,524 |
| | <u>153,835</u> | <u>91,310</u> |

7. AMOUNTS DUE FROM/(TO) RELATED PARTIES

- (a) Amount due from related parties

| | 2022 | 2021 |
|------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Companies controlled by Xiamen C&D | <u>23,164</u> | <u>–</u> |

- (b) Amounts due to related parties

| | 2022 | 2021 |
|------------------------------------|-----------------------|----------------|
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Ultimate holding company | – | 3 |
| Companies controlled by Xiamen C&D | 126 | 1,769 |
| Associates of Xiamen C&D | <u>–</u> | <u>3</u> |
| | <u>126</u> | <u>1,775</u> |

As at 31 December 2022 and 2021, the amounts due from/(to) related parties are non-trade nature, unsecured, interest-free and repayable on demand.

8. INCOME TAX EXPENSE

| | 2022 <i>RMB'000</i> | 2021 <i>RMB'000</i> |
|---|------------------------|------------------------|
| Current income tax | | |
| PRC Enterprise Income Tax (“EIT”) | 82,196 | 48,585 |
| Over-provision in respect of prior year | (2,548) | (810) |
| | 79,648 | 47,775 |
| Deferred tax | (6,257) | (3,625) |
| Total income tax expense | 73,391 | 44,150 |

Notes:

(a) BVI Income tax

Pursuant to the relevant rules and regulations of the BVI, the Group is not subject to any income tax in the BVI during the years ended 31 December 2022 and 2021.

(b) Hong Kong profits tax

No Hong Kong profits tax has been provided as the Group did not derive any assessable profit arising in Hong Kong during the years ended 31 December 2022 and 2021.

(c) PRC EIT

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years ended 31 December 2022 and 2021, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate was 25% for the years ended 31 December 2022 and 2021.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group’s PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% from 1 January 2022 to 31 December 2022. The portion of annual taxable income amount, which does not exceed RMB1,000,000, shall be computed at a reduced rate of 12.5%, and be subject to EIT at 20%. The portion of annual taxable income, which exceeds RMB1,000,000 but does not exceed RMB3,000,000, shall be computed at a reduced rate of 25%, and be subject to EIT at 20%.

9. EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the years 31 December 2022 and 2021. The earnings per share is calculated using the weighted average number of ordinary shares of 1,308,321,298 (2021: 1,184,437,681) shares issued during the year as follows:

| | 2022 | 2021 |
|--|----------------|----------------|
| Profit for the year attributable to equity holders of the Company (<i>RMB'000</i>) | <u>247,212</u> | <u>159,374</u> |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 1,308,321 | 1,184,438 |
| Basic earnings per share (<i>RMB</i>) | <u>0.19</u> | <u>0.13</u> |

(b) Diluted earnings per share

The restricted shares granted by the Company have potential dilutive effect on earnings per share. Diluted earnings per shares is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption on the conversion of all potential dilutive shares arising from restricted shares granted by the Company (collectively forming the denominator for computing the diluted earnings per share).

| | 2022 | 2021 |
|--|----------------|----------------|
| Profit for the year attributable to equity holders of the Company (<i>RMB'000</i>) | <u>247,212</u> | <u>159,374</u> |
| Weighted average number of ordinary shares in issue (<i>thousands</i>) | 1,308,321 | 1,184,438 |
| Adjustments for restricted shares (<i>thousands</i>) | <u>34,150</u> | — |
| Weighted average number of ordinary shares for the calculation of diluted earnings per shares (<i>thousands</i>) | 1,342,471 | 1,184,438 |
| Diluted earnings per share (<i>RMB</i>) | <u>0.18</u> | <u>0.13</u> |

10. DIVIDEND

The Board recommends the payment of a final dividend of HK\$0.1 per Share at a total amount of approximately HK\$134,331,000 (equivalent to approximately RMB119,994,000) for the year ended 31 December 2022. Eligible Shareholders will have the option to receive the final dividend all in new shares, partly in new shares and partly in cash, or all in cash. The dividend is subject to the approval of shareholders at the forthcoming annual general meeting. (2021: HK\$0.06 per Share, at a total amount of HK\$ 80,176,000 (equivalent to approximately RMB65,552,000)). Final dividend proposed after the reporting date has not been recognised as a liability at the reporting date.

MANAGEMENT DISCUSSION AND ANALYSIS

1. MARKET REVIEW

As an industry with the closest relationship with people's lives as well as the government's "community governance grassroots", property management has continued to receive policy care and support in recent years. In 2022, governments at all levels, ranging from the central government to local governments have successively introduced many policies to secure the healthy and orderly development of the industry: in January, the General Office of the State Council issued the "14th Five-Year Urban and Rural Community Service System Construction Plan" (《“十四五”城鄉社區服務體系建設規劃》), which mentioned that places where conditions permit are encouraged to introduce professional property management services, and a two-way selection mechanism for property owners and property management service companies will be established. In July, the National Development and Reform Commission issued the "14th Five-Year New Urbanization Implementation Plan" (《“十四五”新型城鎮化實施方案》), which proposed to increase the coverage of property management services and carry out pilot projects of standardization of property management services to open up space for the standardized development of the industry. On the one hand, the heat wave of the policies continues. However, on the other hand, the operation logic of the industry is also changing. Due to the turmoil in the real estate industry, the development of property management companies is limited. At the same time, the industry is also facing rising labor costs, slow profit growth, difficulties in expansion and other common difficulties. Pursuing scale expansion while maintaining quality development has become the primary challenge that property management companies need to balance.

In the face of opportunities and challenges, in 2022, the Group carried out operations and management around "strengthening foundation, improving quality, improving efficiency, and promoting growth" in order to achieve "quality" growth. By continuously strengthening and improving the basic service quality, the Group deepened the service classification and provided warm and high-quality services for property owners; carried out multi-mode market expansion, and actively explored merger and acquisition opportunities to promote further growth in management scale; as well as continued to optimize and innovate the development model of community value-added and synergy services for meeting the property owner's needs for a better life, and commenced the commercial property operation management services in September 2022, forming a new development channel driven by the two wheels of "residential + commercial management".

2. BUSINESS REVIEW

(1) Overview

In April 2022, we were honoured as one of the “Top 100 Property Management Companies in the PRC” by China Index Academy and ranked 30th in terms of overall strength in the industry, with two places improved as compared with 2021. In July 2022, we were also awarded honourable title as “2022 Top 100 Property Management Service Enterprises (2022物業服務力百強企業)” by Shanghai Yiju Real Estate Research Institute* (上海易居房地產研究院) and CRIC Property Management* (克而瑞物管). Through upholding our service philosophy of “exploring new service values to make a better living experience* (開拓服務新價值，讓生活更美好)”, we envisage to become an outstanding property management services provider in the PRC and are committed to becoming “a first class urban service operator in the PRC* (國內一流的城市空間運營服務商)”.

As at 31 December 2022, our property management portfolio covered 60 cities across 16 provinces, municipalities and autonomous regions in the PRC, including tier-one cities, such as Beijing, Shanghai, Guangzhou and Shenzhen. Our contracted GFA was approximately 90.6 million sq.m., among which, the GFA under management reached approximately 46.2 million sq.m.. As at 31 December 2022, we provided services to over 280,000 households.

Our four main business lines, namely, (i) property management services; (ii) community value-added and synergy services; (iii) value-added services to non-property owners and (iv) commercial property operation management services, have formed an integrated service offering to our customers and have covered the entire value chain of property management.

(2) Property Management Services

We provided a range of property management services to property owners and residents of our managed properties as well as property developers, including greening, gardening and order maintenance for public areas, cleaning, parking management, repair and maintenance services for public facilities, etc.. Our property management portfolio covered residential properties and non-residential properties, including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools, etc.. We charged property management fees primarily on a lump-sum basis, with a comparatively fewer amount of total revenue charged on a commission basis.

For the Year, our Group's revenue from property management services was approximately RMB1,036.2 million, representing an increase of approximately 36.6% from approximately RMB758.6 million for the year ended 31 December 2021. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management.

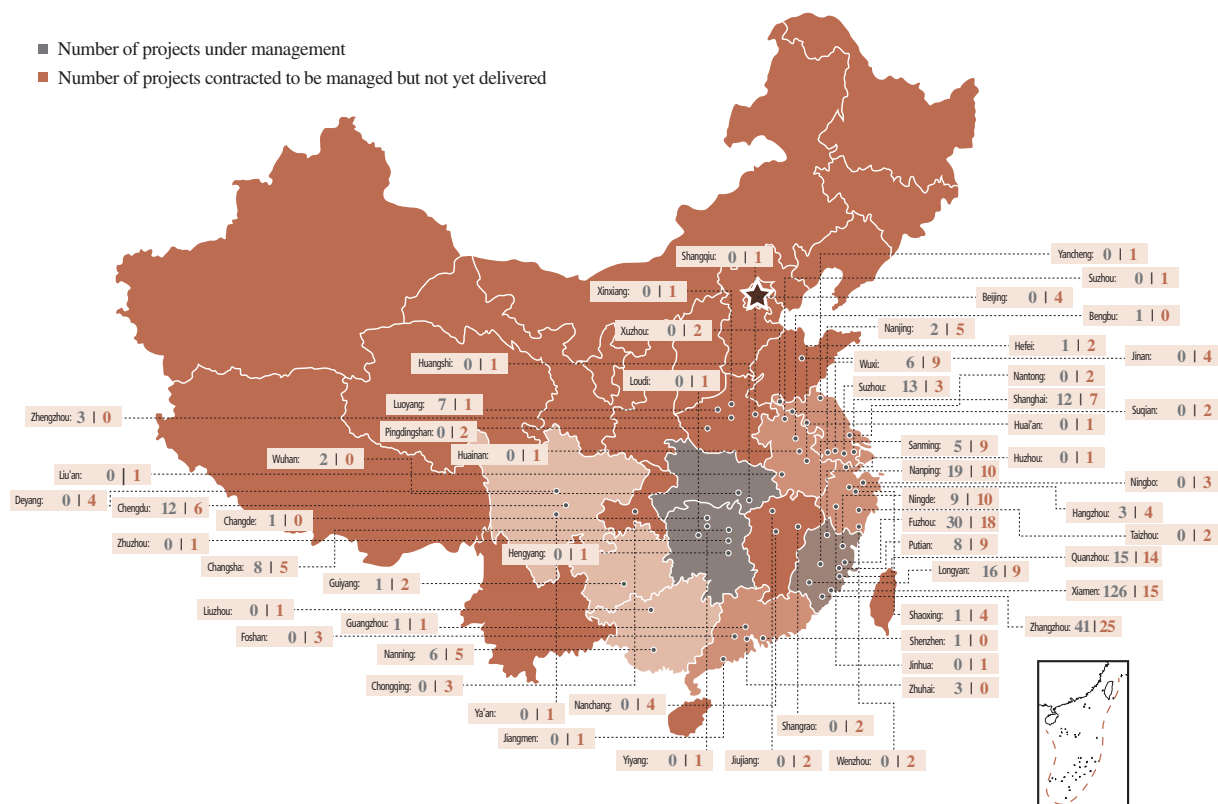
GFA and the number of projects

As at 31 December 2022, we had contracted GFA of approximately 90.6 million sq.m., and our number of contracted projects was 584, representing an increase of approximately 22.6% and 19.4% respectively as compared with those as at 31 December 2021 (as at 31 December 2021: approximately 73.9 million sq.m., and the number of projects of 489). As at 31 December 2022, the GFA under management reached approximately 46.2 million sq.m., and number of projects under management was 353, representing an increase of approximately 39.8% and 26.1% respectively as compared with those as at 31 December 2021 (as at 31 December 2021: approximately 33.0 million sq.m., and the number of projects of 280).

Geographic Coverage

As at 31 December 2022, we had 584 contracted projects covering 60 cities across 16 provinces, municipalities and autonomous regions in the PRC, with 353 projects under management, covering 28 cities, serving over 280,000 households.

The map below illustrates the geographic coverage of the properties under our management as at 31 December 2022 in terms of (i) contracted GFA; and (ii) GFA under management, respectively:



The table below sets out breakdown of the contracted GFA and GFA under management by geographic region as at 31 December 2022 and 2021:

| | As at 31 December | | | |
|----------------------------------|------------------------------|------------------------------------|------------------------------|------------------------------------|
| | 2022 | | 2021 | |
| | Contracted GFA '000 sq.m. | GFA under management '000 sq.m. | Contracted GFA '000 sq.m. | GFA under management '000 sq.m. |
| Haixi Cluster (Note 1) | 52,379 | 28,898 | 42,580 | 21,180 |
| Eastern China Cluster (Note 2) | 18,891 | 8,208 | 15,275 | 5,162 |
| Southeast China Cluster (Note 3) | 19,288 | 9,098 | 16,016 | 6,697 |
| Total | 90,558 | 46,204 | 73,871 | 33,039 |

Notes:

1. As at 31 December 2022, cities in the Haixi Cluster included Longyan, Putian, Quanzhou, Xiamen, Zhangzhou, Foshan, Guangzhou, Jiangmen, Shenzhen, Zhuhai, Liuzhou, Nanning, Guiyang, Changde, Hengyang, Loudi, Yiyang, Changsha, Zhuzhou, Jiujiang, Nanchang, Shangrao, Chengdu, Deyang, Ya'an and Chongqing. As at 31 December 2021, cities in the Haixi Cluster included Longyan, Putian, Quanzhou, Xiamen, Zhangzhou, Foshan, Guangzhou, Shenzhen, Zhuhai, Liuzhou, Nanning, Guiyang, Changde, Hengyang, Yiyang, Changsha, Zhuzhou, Jiujiang, Nanchang, Shangrao, Chengdu, Deyang and Chongqing.
2. As at 31 December 2022, cities in the Eastern China Cluster included Bengbu, Hefei, Huainan, Liu'an, Suzhou (宿州), Beijing, Luoyang, Pingdingshan, Shangqiu, Xinxiang, Zhengzhou, Huangshi, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Xuzhou, Yancheng, Jinan and Shanghai. As at 31 December 2021, cities in the Eastern China Cluster included Bengbu, Hefei, Liu'an, Suzhou (宿州), Beijing, Luoyang, Zhengzhou, Wuhan, Huai'an, Nanjing, Nantong, Suzhou, Suqian, Wuxi, Jinan and Shanghai.
3. As at 31 December 2022, cities in the Southeast China Cluster included Fuzhou, Ningde, Nanping, Sanming, Hangzhou, Huzhou, Jinhua, Ningbo, Shaoxing, Taizhou and Wenzhou. As at 31 December 2021, cities in the Southeast China Cluster included Fuzhou, Ningde, Nanping, Sanming, Hangzhou, Huzhou, Jinhua, Ningbo, Shaoxing and Wenzhou.

Source of Projects

As at 31 December 2022, the contracted GFA for property management services with the Company's controlling shareholder, Xiamen C&D and its subsidiaries, associates and joint ventures (excluding the Group) ("Xiamen C&D Group"), was approximately 54.8 million sq.m., representing an increase of approximately 24.4% from approximately 44.0 million sq.m. as at 31 December 2021.

While maintaining close business relationship with Xiamen C&D Group, we also took initiatives to further expand the scale of our property management service business and increase our market share in the industry through multiple channels. As at 31 December 2022, our contracted GFA for property management services with independent third parties was approximately 35.8 million sq.m., representing an increase of approximately 19.9% from approximately 29.9 million sq.m. as at 31 December 2021.

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services derived from property projects by property developers for each of the years ended 31 December 2022 and 2021:

| | As at 31 December or for the year ended 31 December | | | | | |
|---------------------------|---|--------------------|--------------|------------------------------------|--------------------|--------------|
| | 2022 | | | 2021 | | |
| | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue |
| Xiamen C&D Group | 27,937 | 587,667 | 56.7 | 18,986 | 443,494 | 58.5 |
| Independent third parties | 18,267 | 448,508 | 43.3 | 14,053 | 315,124 | 41.5 |
| Total | <u>46,204</u> | <u>1,036,175</u> | <u>100.0</u> | <u>33,039</u> | <u>758,618</u> | <u>100.0</u> |

Types of Managed Properties

We historically focused on providing property management services to residential communities in the PRC, while we also endeavoured to diversify our property management portfolio by extending our services to an increasing variety of non-residential properties (including commercial and office buildings, industrial parks, government buildings and public facilities, hospitals and schools). As at 31 December 2022, our contracted GFA for non-residential properties was approximately 5.5 million sq.m., representing an increase of approximately 15.5% from approximately 4.8 million sq.m. as at 31 December 2021.

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services by type of property for each of the years ended 31 December 2022 and 2021:

| | As at 31 December or for the year ended 31 December | | | | | |
|-----------------|---|--------------------|--------------|------------------------------------|--------------------|--------------|
| | 2022 | | | 2021 | | |
| | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue | GFA under management '000 sq.m. | Revenue RMB'000 | % of revenue |
| Residential | 41,952 | 788,948 | 76.1 | 29,813 | 586,752 | 77.3 |
| Non-residential | 4,252 | 247,227 | 23.9 | 3,226 | 171,866 | 22.7 |
| Total | <u>46,204</u> | <u>1,036,175</u> | <u>100.0</u> | <u>33,039</u> | <u>758,618</u> | <u>100.0</u> |

Revenue Model

We generally determined the revenue model of property management services based on the following factors, including but not limited to: (i) the type(s), scale(s) and location(s) of managed properties; (ii) the nature and scope of the services to be provided; (iii) expected personnel and material inputs; and (iv) arm's length negotiation with our customers. During the Year, we mainly charged property management fees on a lump-sum basis, while a few property management service projects were charged on commission basis.

The table below sets out the Group's GFA under management as at 31 December 2022 and 2021 and the breakdown of our revenue from our property management services by revenue model for each of the years ended 31 December 2022 and 2021:

| | As at 31 December or for the year ended 31 December | | | | | |
|------------------|---|------------------|--------------|----------------------|----------------|--------------|
| | 2022 | | | 2021 | | |
| | GFA under management | Revenue | % of | GFA under management | Revenue | % of |
| | '000 sq.m. | RMB'000 | revenue | '000 sq.m. | RMB'000 | revenue |
| Lump-sum basis | 45,572 | 1,012,208 | 97.7 | 32,407 | 734,612 | 96.8 |
| Commission basis | 632 | 23,967 | 2.3 | 632 | 24,006 | 3.2 |
| Total | <u>46,204</u> | <u>1,036,175</u> | <u>100.0</u> | <u>33,039</u> | <u>758,618</u> | <u>100.0</u> |

(3) Community Value-added and Synergy Services

We provided a variety of community value-added and synergy services mainly by ourselves or third-party sub-contractors or service companies. The services mainly included: (i) home living services, such as housekeeping and cleaning services, repair and maintenance services and community group-purchasing services; (ii) home beauty services, providing turn-key move-in services* (拎包入住服務) with one-stop home beauty solutions for overall design, interior home furnishing and appliances installation and home furniture services, etc.; (iii) real estate brokerage and asset management services, including services for secondary sales or rental transactions of properties and/or car parking spaces and at-the-close order* (尾盤) sales services for unsold property units of the property developers; (iv) value-added services for public areas, including leasing out public areas and advertising spots; (v) elderly-care & health value-added services, mainly including the operation of C&D Yibai Elderly Care Centre* (建發溢佰養老中心), an elderly care centre operated by the Group; and (vi) smart community services, mainly design and construction services of smart property management services and operation of our mobile application "Huishenghuo* (慧生活)".

The Group’s revenue from community value-added and synergy services for the Year was approximately RMB475.8 million, representing an increase of approximately 87.3% from approximately RMB254.0 million for the year ended 31 December 2021. The increase was mainly due to the expansion of our customer base as a result of the increase in the area under management, as well as the continuous enrichment of our service offerings under the community value-added and synergy services. For instance, in respect of home living services, we have consolidated our resources and enriched our online shopping platform “C&D Property Zhenxuan* (建發物業臻選)” to provide customers with higher quality products in the food, wine and daily necessity segments. The Group also operated its home living services on its own to improve its service offerings and enhance customer satisfaction. For the smart community services, the expansion of service applications has significantly broadened the number of orders and sources of revenue. At the same time, with the strengthened promotion and the increase of new delivery of property management projects, the income of home beauty services has increased rapidly.

The table below sets out the breakdown of our revenue derived from the provision of different types of community value-added and synergy services for each of the years ended 31 December 2022 and 2021:

| | For the year ended 31 December | | | |
|--|--------------------------------|--------------|---------------------------|-------|
| | 2022 | | 2021 | |
| | Revenue <i>RMB'000</i> | % | Revenue <i>RMB'000</i> | % |
| Smart community services | 118,622 | 24.9 | 53,990 | 21.3 |
| Home living services | 144,337 | 30.4 | 72,023 | 28.4 |
| Home beauty services | 69,089 | 14.5 | 18,113 | 7.1 |
| Real estate brokerage and asset management services | 49,505 | 10.4 | 48,302 | 19.0 |
| Value-added services for public areas | 57,000 | 12.0 | 39,225 | 15.4 |
| Elderly-care & health value-added services | 37,231 | 7.8 | 22,327 | 8.8 |
| Total | 475,784 | 100.0 | 253,980 | 100.0 |

(4) Value-added Services to Non-property Owners

We mainly provided (i) consultancy services to property developers and other non-property owners during the property development and construction stages on aspects such as project design and construction materials from the perspective of property management and operation and requirement of the property owners; and (ii) reception, order maintenance and cleaning services to property developers and other non-property owners at the pre-sales centres.

Our revenue from value-added services to non-property owners for the Year was approximately RMB754.5 million, representing an increase of approximately 38.7% from approximately RMB544.0 million for the year ended 31 December 2021. The increase was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increase in demand for reception, order maintenance and cleaning services.

The table below sets out the breakdown of our revenue from our value-added services to non-property owners for each of the years ended 31 December 2022 and 2021:

| | For the year ended 31 December | | | |
|---|--------------------------------|-------|---------------------------|-------|
| | 2022 | | 2021 | |
| | Revenue <i>RMB'000</i> | % | Revenue <i>RMB'000</i> | % |
| Consultancy services | 6,811 | 0.9 | 7,358 | 1.4 |
| Reception, order maintenance and cleaning services | 747,660 | 99.1 | 536,689 | 98.6 |
| Total | 754,471 | 100.0 | 544,047 | 100.0 |

(5) Commercial Property Operation Management Services

Since September 2022, we commenced the commercial property operation management services to promote complementary advantages, making the Group an asset-light service provider of “property management + commercial operation”, as well as broaden and enrich our business foundation. We provided commercial property operation management services to owners of various types of commercial properties such as office buildings and shopping malls. We provided commercial property operation management services to: (i) commercial properties during pre-opening stage, such as positioning, planning and design consultancy services, etc.; and (ii) established commercial properties, such as provision of tenant and lease management, operation management and planning and marketing services.

During the Year, our revenue from commercial property operation management services was approximately RMB24.0 million. As at 31 December 2022, we provided our services to 20 business projects and the GFA of the commercial properties under management of the Group was 0.93 million sq.m..

3. FINANCIAL REVIEW

Revenue

Due to our continuous business development, the Group's revenue for the Year was approximately RMB2,290.5 million, representing an increase of approximately 47.1% from approximately RMB1,556.6 million for the year ended 31 December 2021.

The table below sets out the revenue of the Group by business line for each of the years ended 31 December 2022 and 2021:

| | For the year ended 31 December | | | |
|---|--------------------------------|---------------------|-------------------------|---------------------|
| | 2022 | | 2021 | |
| | <i>RMB'000</i> | % | <i>RMB'000</i> | % |
| Property management services | 1,036,175 | 45.3 | 758,618 | 48.7 |
| Community value-added and synergy services | 475,784 | 20.8 | 253,980 | 16.3 |
| Value-added services to non-property owners | 754,471 | 32.9 | 544,047 | 35.0 |
| Commercial property operation management services | 24,043 | 1.0 | – | – |
| Total | <u>2,290,473</u> | <u>100.0</u> | <u>1,556,645</u> | <u>100.0</u> |

Property management services were the Group's largest source of revenue. During the Year, the revenue from property management services was approximately RMB1,036.2 million, accounting for approximately 45.3% of total revenue. The increase in revenue from property management services was primarily driven by the fast growth of our total GFA under management. During the Year, our total GFA under management increased from approximately 33.0 million sq.m. as at 31 December 2021 to approximately 46.2 million sq.m. as at 31 December 2022, which was resulted from both our steady cooperation with cooperative property developers and our efforts to expand the third-party customer base.

The revenue from community value-added and synergy services increased by approximately 87.3% from approximately RMB254.0 million for the year ended 31 December 2021 to approximately RMB475.8 million for the Year, which was mainly due to the Group's further optimisation of the business structure.

The revenue from value-added services to non-property owners increased by approximately 38.7% from approximately RMB544.0 million for the year ended 31 December 2021 to approximately RMB754.5 million for the Year, which was mainly due to an increase in number of projects developed by cooperative property developers which in turn resulted in an increase in demand for reception, order maintenance and cleaning service.

Since September 2022, we commenced the commercial property operation management services to broaden and enrich our business foundation. During the Year, the revenue from the commercial property operation management services was approximately RMB24.0 million (for the year ended 31 December 2021: RMB Nil).

Cost of sales

Cost of sales increased by approximately 50.2% from approximately RMB1,167.3 million for the year ended 31 December 2021 to approximately RMB1,753.5 million for the Year, primarily due to the scale-up of our business.

Gross profit

As a result of the above principal factors, the Group's gross profit increased by approximately 37.9% from approximately RMB389.4 million for the year ended 31 December 2021 to approximately RMB537.0 million for the Year, with gross profit margin of approximately 25.0% and 23.4% respectively. The decrease in gross profit margin was mainly due to the increase in the cost of labour.

Other income

Other income increased from approximately RMB10.9 million for the year ended 31 December 2021 to approximately RMB16.5 million for the Year, mainly due to an increase in government subsidies received.

Selling and marketing expenses

The Group's selling and marketing expenses increased from approximately RMB3.8 million for the year ended 31 December 2021 to approximately RMB7.6 million for the Year, mainly due to an increase of the advertising expenses.

Administrative and other operating expenses

The Group's administrative and other operating expenses mainly included staff cost (including the cost of the 2021 Restricted Share Incentive Scheme), travelling and entertainment expenses, consultancy fee, telecommunication and utilities, depreciation, office expenses and other expenses (mainly including bank handling fees, gains and losses on disposal of assets, recruitment cost and insurance fees).

During the Year, the Group's total administrative and other operating expenses amounted to approximately RMB287.2 million, representing an increase of approximately 34.9% from approximately RMB212.9 million for the year ended 31 December 2021, which was mainly due to the growth of our business volume, increase in headcount and average wages of administration staff as well as increase in office expenses, consultancy fee and travelling and entertainment expenses due to expansion of our business scale.

Net provision for ECL allowance on trade and other receivables

The Group's net provision for ECL allowance on trade and other receivables increased from approximately RMB0.5 million for the year ended 31 December 2021 to approximately RMB4.6 million for the Year, mainly due to an increase in the trade receivables.

Net finance income

The Group's net finance income mainly included interest income on bank deposit, interest income on amounts due from related parties and lease liability interest relating to lease liabilities arising from leased properties used for the Group's office. During the Year, the Group's net finance income was approximately RMB71.1 million, representing an increase of approximately 230.4% as compared with approximately RMB21.5 million for the year ended 31 December 2021, which was mainly due to the capital cost received in relation to the determined price pre-paid by the Company under the inventory property underwriting agreement entered into between the Company and C&D International dated 4 October 2021.

Profit before income tax

Due to the combined effect of the abovementioned factors, the profit before income tax of the Group for the Year was approximately RMB324.7 million, representing an increase of approximately 58.4% as compared with approximately RMB205.1 million for the year ended 31 December 2021.

Income tax expense

Income tax expense increased from approximately RMB44.2 million for the year ended 31 December 2021 to approximately RMB73.4 million for the Year, representing an increase of approximately 66.2%. The increase was mainly attributable to an increase in the Group's profit before tax due to growth of business.

Profit for the year attributable to equity holders of the Company

The profit for the year attributable to equity holders of the Company for the Year was approximately RMB247.2 million, representing an increase of approximately 55.1% as compared with approximately RMB159.4 million for the year ended 31 December 2021.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of leasehold improvement, electronic equipment and other fixed assets. As at 31 December 2022, the Group's property, plant and equipment amounted to approximately RMB35.6 million, representing an increase of approximately 16.0% from approximately RMB30.7 million as at 31 December 2021, which was mainly due to the increase of the demand for electronic equipment as a result of the scale-up of our business.

Trade and other receivables

The Group's trade and other receivables were mainly from property management services income from properties managed on a lump-sum basis and trade receivables of value-added services as well as other receivables from payments on behalf of property owners in respect of utilities and maintenance costs. As at 31 December 2022, the Group's trade and other receivables were approximately RMB358.1 million, representing an increase of approximately 77.7% as compared with approximately RMB201.5 million as at 31 December 2021, which was mainly due to the expansion of our business scale.

Cash and cash equivalents

As at 31 December 2022, the Group's cash and cash equivalents were approximately RMB2,703.1 million, representing an increase of approximately 19.5% as compared with approximately RMB2,261.4 million as at 31 December 2021. The increase was mainly due to the expansion of our business scale and an increase in contract liabilities for the Year.

Trade and other payables

The Group's trade and other payables mainly included trade payables, amounts collected on behalf of property owners, received deposits (保證金) and accrued staff costs and welfares. As at 31 December 2022, our trade and other payables were approximately RMB941.2 million, representing an increase of approximately 28.4% from approximately RMB732.8 million as at 31 December 2021, which was mainly due to the increase of our property management scale and employees headcounts.

Contract liabilities

Contract liabilities of the Group were service prepayment paid by customers for the services which had not been provided and not been recognised as revenue. As at 31 December 2022, our contract liabilities amounted to approximately RMB990.1 million, representing an increase of approximately RMB202.8 million from approximately RMB787.3 million as at 31 December 2021, primarily due to the increase in projects under management and payments received in advance for home furniture services under home beauty services during the Year.

Liquidity and financial resources

The Group continued to satisfy its requirement for working capital, capital expenditure and other capital requirement through cash generated from its operation. During the Year, the Group's net cash from operating activities was approximately RMB495.7 million, representing a decrease of approximately 44.1% as compared with approximately RMB886.5 million for the year ended 31 December 2021, mainly due to the decrease in payments received in advance for home furniture services under home beauty services for the Year as compared to previous financial year, resulting in the decrease in capital inflows.

As at 31 December 2022, the net current assets of the Group was approximately RMB1,151.5 million, representing an increase of approximately RMB206.5 million from net current assets of approximately RMB945.0 million as at 31 December 2021, mainly due to the increase in account receivables in line with the increase in business scale. As at 31 December 2022, the Group's current ratio (total current assets divided by total current liabilities) was approximately 1.6x (as at 31 December 2021: approximately 1.6x).

As at 31 December 2022, the Group's gearing ratio (sum of current liabilities and non-current liabilities divided by sum of current assets and non-current assets) was approximately 61.5% (as at 31 December 2021: approximately 60.5%).

As at 31 December 2022, the borrowings of the Group were RMB10.0 million (as at 31 December 2021: Nil). Saved as disclosed herein, as at 31 December 2022, the Group did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans (as at 31 December 2021: Nil).

Principal risks and uncertainties

Government Policy Risk

The Company's business growth is, and will likely continue to be, affected by the PRC government regulations of our industry. The PRC government has continued to introduce various restrictive measures to discourage speculation in the real estate market. Through these policies and measures, the PRC government may restrict or reduce property development activities and affect the delivery schedule and occupancy rates of the properties we provide services. Any such governmental regulations and measures may affect the PRC real estate industry, thus limiting our business growth and resulting in a material adverse effect on our business, financial position and results of operations. The Group will continue to enrich the business structure to ensure a stable property management revenue, thereby minimizing the impact.

Future Acquisition or Expansion Risk

In addition to our organic growth, when suitable opportunities arise, the Company will also explore selective investments in or acquisitions of other property management companies in the PRC. However, there can be no assurance that the Company will be able to identify suitable opportunities. Acquisitions involve uncertainties and risks, including but not limited to, potential ongoing financial obligations and unforeseen or hidden liabilities, failure to achieve the intended objectives, benefits or revenue-enhancing opportunities, and diversion of resources and management attention. Even if the Company manages to identify suitable opportunities, the Company may not be able to complete the acquisitions on terms favourable or acceptable to us, in a timely manner, or at all. The inability to identify suitable acquisition targets or complete acquisitions could materially and adversely affect our competitiveness and growth prospects. Given the above, the Company will identify acquisition targets in a cautious manner.

Significant investments, material acquisitions and disposals of subsidiaries, joint ventures and associates

The Group did not hold any significant investment or significant securities investment as part of its asset portfolio, or had no material acquisition or disposal of any subsidiaries, joint ventures and associates during the Year.

Contingent liabilities

As at 31 December 2022, the Group had no significant contingent liabilities.

Interest rate risk

As the Group had no significant interest-bearing assets and liabilities for the Year, the Group was not exposed to material risk directly relating to changes in market interest rate.

Foreign exchange risk

The principal activities of the Group were conducted in the PRC, and a majority of the Group's income and expenses were denominated in Renminbi. Therefore, the Group was not exposed to material risk directly relating to foreign exchange rate fluctuation (except certain bank balances were denominated in Hong Kong dollars). During the Year, the Group did not enter into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Events after reporting period

As at the date of this announcement, the Group did not have material subsequent events after the reporting period.

Employment and remuneration policy

The Group adopted remuneration policies similar to its peers in the industry. The remuneration payable to our staff was fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments was paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees. A restricted share incentive scheme has been adopted by the Group to motivate the management and core staff of the Company.

The same remuneration philosophy is also applicable to the Directors. Apart from benchmarking against the market, the Company reviews individual competence, contributions and the affordability of the Company in determining the exact level of remuneration for each Director.

As at 31 December 2022, the Group had 13,897 employees (as at 31 December 2021: 11,057 employees).

4. OUTLOOK AND PROSPECT

The scale expansion of property management companies will continue, but the overall growth rate will slow down. Property management companies are shifting from major expansion of scale to pursuit of quality growth. Focusing on service quality improvement, deep cultivation in key cities and brand value enhancement to achieve sustained, steady and further quality scale growth will remain the theme of the Company's development.

(1) Optimizing basic property management services and building a base for high-quality development

The high-growth period supported by the expansion of GFA in the property management industry will gradually reach the peak, and focusing on high-quality development will be the foundation for long-term development. Therefore, the Company proposes a new strategy of “adhering to quality, promoting service upgrading, building a moat, and consolidating the fundamentals”. The strategy focuses on service quality, the combination of different operating tools (including equipment and people) in terms of basic property management services, the implementation of precise standards for different service scenarios and different operating hours, and the optimization of job's core responsibilities, task lists and action standards, supplemented by technology empowerment and management innovation. Through continuous innovation of the management model, it can greatly improve personnel efficiency and service efficiency, which will ensure the overall service quality of our projects, and provide a strong guarantee for maintaining a high level of customer service satisfaction.

(2) Focusing on high-quality cities and promoting large-scale development with both quality and price

At this stage, leading property management companies have started the city-focused strategy and continuously increased the project density in a single city. This has become the development trend of the industry.

Therefore, the Company proposes to perform well in the property management services and community value-added and synergy services, strengthen the exploration of existing resources and refined operation, strengthen the localization and deep cultivation of business, improve the project density, and vigorously expand quality, structured and sustainable incremental business. At the same time, the Company insists on maintaining strict standards for merger and acquisition targets and adhering to prudent merger and acquisition strategies, focus on operation management on the basis of ensuring profit, quality and satisfaction, and achieve rapid business growth through cost reduction and efficiency improvement.

(3) Exploring customer needs, extending service boundaries and seizing diversified development opportunities

In the process of rapid changes in the market environment, property management companies need to provide customers with customized, personalized and diversified service experience, including increasing efforts to promote real estate brokerage and asset management business; enriching product lines of the community group-purchasing services under home living services; exploring to promote the home beauty services and self-operated home living services, improving the service system and standards of the elderly-care & health value-added services, and extending the whole chain of elderly-care & health value-added service business in the elderly-care sector. The Group will strengthen the service quality of commercial property operation management business continuously; strive to improve the satisfaction of customers, merchants and property owners to make good use of its state-owned background and experience to seek more opportunities for expanding asset-light business operation management projects. Therefore, the extension of property management services from basic services to living services is a general trend and an opportunity for the Company to develop.

(4) Empowering technology firmly, increasing investment in technology, and comprehensively supporting the implementation of strategies

The Company continues to increase investment in the construction of intelligent platforms, integrate the core systems related to the main data, income and expenditure system, budget system and financial system, and conduct data mining and unified analysis to achieve “online, digital and process-oriented” operating results, which helps improve the quality and efficiency of service operations, reduce operating costs, deepen service quality, and reduce the pressure of expansion.

In conclusion, the Group will, taking service quality as support, actively grasp the development trend of the industry, continuously strengthen service quality and diversified development construction, continue to improve refined operation capabilities, and achieve long-term stable development of the Company.

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK\$0.1 per Share for the Year (2021: HK\$0.06 per Share). Shareholders of the Company whose names appear on the register of members of the Company on Thursday, 8 June 2023 (“Eligible Shareholders”) may select to receive the final dividend in the form of new Shares in lieu of cash in respect of part or all of such dividend (the “Scrip Dividend Scheme”).

The Scrip Dividend Scheme is subject to the approval of the resolution in relation to the payment of the final dividend at the annual general meeting; and the approval by the Stock Exchange of the listing and permission to deal in the new Shares to be issued pursuant thereto.

A circular containing details of the Scrip Dividend Scheme together with the relevant selection form will be dispatched to the Eligible Shareholders on or about Friday, 9 June 2023. Subject to approval of the Shareholders, it is expected that the final dividend and certificate for the new Shares (if the Eligible Shareholders have elected to receive part or all of the final dividend in the form of new Shares) will be distributed and dispatched to the Eligible Shareholders on or about Friday, 7 July 2023.

ANNUAL GENERAL MEETING

The Company’s annual general meeting (the “AGM”) will be held on Tuesday, 30 May 2023. A notice convening the AGM with all other relevant documents will be published and dispatched to the Shareholders in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining entitlement of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Tuesday, 30 May 2023 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company’s Hong Kong branch share registrar, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration by 4:30 p.m. on Tuesday, 23 May 2023.

For the purpose of ascertaining entitlement of the Shareholders to the proposed final dividend for the Year, the register of members of the Company will be closed from Monday, 5 June 2023 to Thursday, 8 June 2023 (both days inclusive). In order to qualify for the final dividend, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Tricor Investor Services Limited at the abovementioned address for registration by 4:30 p.m. on Friday, 2 June 2023.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules for dealings in securities of the Company by its Directors. The Company has made specific enquiries to all Directors and each of them confirmed that they have complied with the required standard set out in the Model Code during the Year.

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining high corporate governance standards. It believes that high corporate governance standards are essential in providing a framework for the Company to safeguard the interests of the Shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability. The Company has complied with all the applicable principles and code provisions as set out in the Corporate Governance Code contained in Appendix 14 to the Listing Rules during the Year.

Further information on the Company's corporate governance practices will be set out in the Corporate Governance Report contained in the Company's annual report for the Year, which will be released in due course.

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

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Year.

REVIEW OF RESULTS BY AUDIT COMMITTEE

The audit committee of the Company (comprising all the three independent non-executive Directors, namely Mr. Lee Cheuk Yin Dannis (committee chairman), Mr. Li Kwok Tai James and Mr. Wu Yat Wai) has reviewed with management the consolidated financial statements of the Group for the Year.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of this preliminary announcement of the Group's results for the year ended 31 December 2022 have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited (the "Auditor"), to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by the Auditor 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 the Auditor on this preliminary announcement.

ANNUAL REPORT

The annual report of the Company for the year ended 31 December 2022 will be dispatched to the Shareholders and available on the respective websites of the Stock Exchange and the Company in due course.

APPRECIATION

We would like to take this opportunity to express our sincere gratitude to the Shareholders for their continuing support, and our appreciation to all staff members for the dedication and loyalty to the Group.

By Order of the Board
C&D Property Management Group Co., Ltd
Lin Weiguo
Chairman and Non-executive Director

Hong Kong, 30 March 2023

As at the date of this announcement, the Board comprises:

Executive Directors:

Ms. Qiao Haixia (*Chief Executive Officer*)

Mr. Huang Danghui

Non-executive Directors:

Mr. Lin Weiguo (*Chairman*)

Mr. Xu Yixuan

Independent non-executive Directors:

Mr. Lee Cheuk Yin Dannis

Mr. Li Kwok Tai James

Mr. Wu Yat Wai

This announcement is prepared in both English and Chinese; in the event of inconsistency, the English text of the announcement shall prevail over the Chinese text.

* *denotes English translation of the name of a Chinese company, entity or place and is provided for identification purpose only*