JINMAO 金茂服务

# 金茂物業服務發展股份有限公司
# Jinmao Property Services Co., Limited

(Incorporated in Hong Kong with limited liability)
Stock Code : 00816

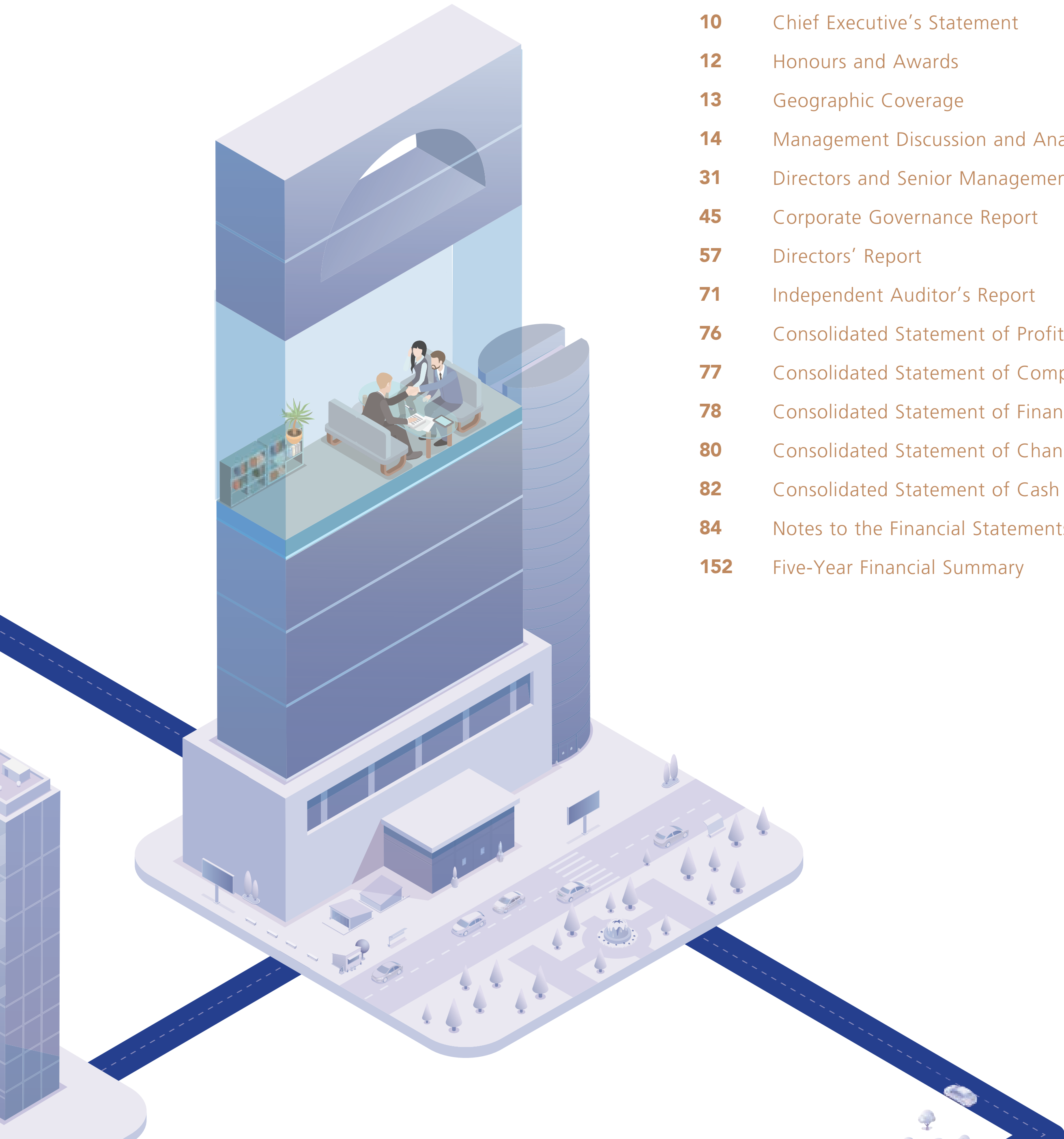
# 2022 ANNUAL REPORT

以恒心 · 致恒长

Think Far Grow Further

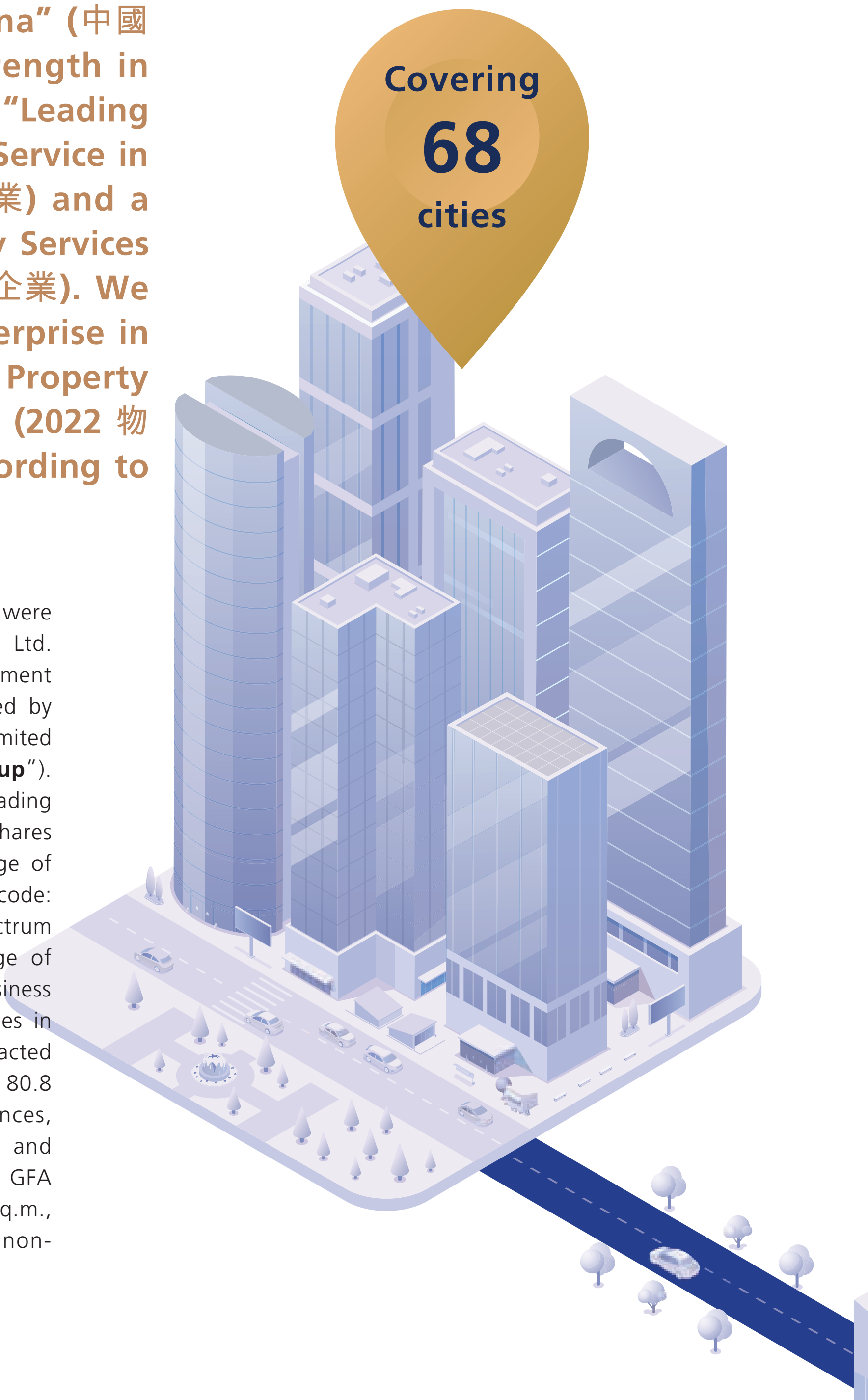
# Contents





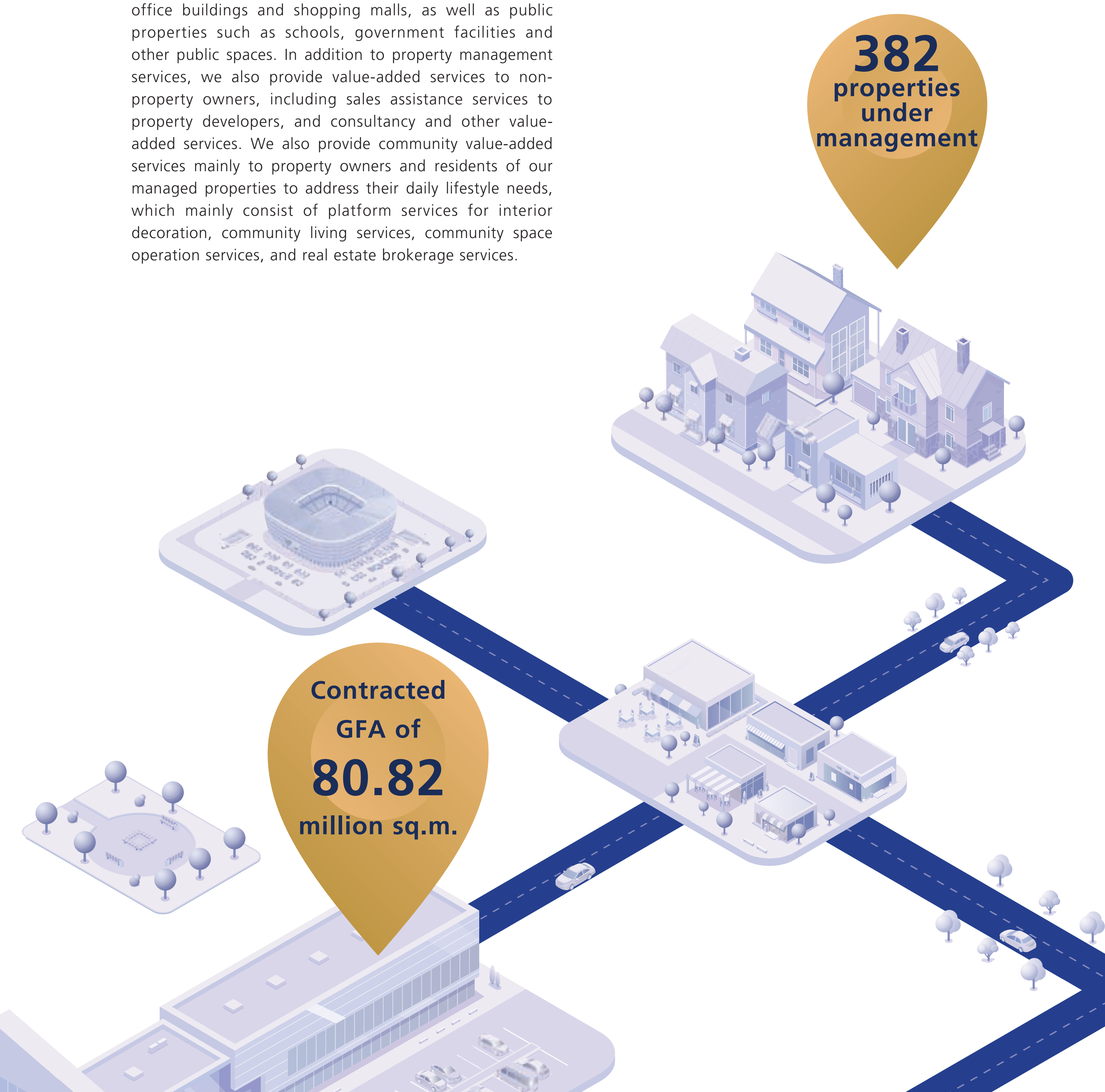
# CORPORATE OVERVIEW

**We are a fast-growing upscale property management and city operation service provider in China. According to China Index Academy, we are an industry-leading company in terms of multiple indicators in the three dimensions of scope of service, service standards and service fees. According to China Index Academy, we ranked 15th among the "Top 100 Property Management Companies in China" (中國物業服務百強企業) by overall strength in 2022, and were recognized as a "Leading Enterprise in High-end Property Service in China" (中國高端物業服務領先企業) and a "Leading Enterprise in Smart City Services in China" (中國智慧城市服務領先企業). We ranked first in the "Leading Enterprise in Terms of Growth Rate of Listed Property Management Enterprise in 2022" (2022 物業上市公司領先企業發展速度), according to CRIC Research.**




Our history can be traced back to 1993 when we were established as a subsidiary of Sinochem Group Co., Ltd. ("**Sinochem Group**") to provide property management services in Beijing, the PRC for properties developed by the predecessor of China Jinmao Holdings Group Limited ("**China Jinmao**") and its subsidiaries ("**Jinmao Group**"). China Jinmao, our controlling shareholder, is a leading comprehensive property developer in China, and its shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") (stock code: 00817). Over the years, we have provided a full spectrum of property management services to a broad range of properties, and we have established a nationwide business in China, with a strong focus on high-end properties in core cities. As of 31 December 2022, our total contracted gross floor area (the "**GFA**") reached approximately 80.8 million sq.m., covering 68 cities across 24 provinces, municipalities and autonomous regions in China, and we managed 382 properties in China with a total GFA under management of approximately 56.9 million sq.m., including 241 residential communities and 141 non-residential properties.

Our property management services cover a wide range of property types, including residential communities, commercial and office properties primarily comprising office buildings and shopping malls, as well as public properties such as schools, government facilities and other public spaces. In addition to property management services, we also provide value-added services to non-property owners, including sales assistance services to property developers, and consultancy and other value-added services. We also provide community value-added services mainly to property owners and residents of our managed properties to address their daily lifestyle needs, which mainly consist of platform services for interior decoration, community living services, community space operation services, and real estate brokerage services.



# MAJOR EVENTS

In January 2022, Sinochem Jinmao Property Management (Beijing) Co., Ltd. ("**Jinmao PM**") officially signed a strategic cooperation agreement on urban property services with Jiangxi Ganjiang Traditional Chinese Medicine Sci-Tech Innovation City Construction Investment Co., Ltd. to help improve Ganjiang New Area's urban management efficiency and promote the upgrade of urban space management and operation, striving to open a new chapter for Ganjiang New Area.

On 10 March 2022, Jinmao Property Services Co., Limited ("**Jinmao Services**") was listed on the Main Board of Hong Kong Stock Exchange, becoming the first property management company listed in 2022. With 29 years of development, Jinmao Services has embarked on a new journey of market-oriented development with a brand-new look.


In March 2022, Jinmao PM signed a strategic cooperation agreement on urban property services with Jinhua Jindong City Assets Operation Co., Ltd., pursuant to which it will, based on the concept of city operation, penetrate high-end services to Jinhua Future Science City's landscape parks, cultural centers, office buildings and other urban function modules, sparing no efforts to build it into a provincial city benchmark with a complete range of functions, a rich variety of business forms and intelligent operation.

In May 2022, Jinmao PM teamed up with Pingyang Xinao City Construction Co., Ltd. to jointly establish the Wenzhou Aomao Industrial Operation Service Co., Ltd.. Both parties are committed to promoting the integration of industrial development and urbanization process and injecting more impetus to Aojiang's efforts to build into a model town for common prosperity.

## MAJOR EVENTS

In June 2022, Jinmao PM, a wholly-owned subsidiary of Jinmao Services, won the bid for the 100% equity interest in Beijing Capital Property Services Limited ("**Beijing Capital Services**") at a consideration of RMB450 million, which further expanded its business scale and portfolio of properties under management and realized dual-way empowerments and accelerated development of the two parties.

In November 2022, Jinmao PM officially signed a strategic cooperation agreement on urban property services with Shandong Zhongbo Industrial Development Co., Ltd., a subsidiary of Shandong Bozheng Group, providing Boshan District, Zibo City with a new urban service operation model of "refined grid management, intelligent supporting facilities for people's livelihood and customized industrial empowerment".

In November 2022, the "extensive membership system" jointly developed by Jinmao PM and China Jinmao was rolled out. Based on the integration of the Apps "JINMAO LUXURIANCE" (金茂薈) and "COMING HOME" (回家) and the service platforms for property owners, it opens up China Jinmao's diversified business forms to enrich members' privileges, achieves the hierarchical growth management for members through bonus point consumption service, improves service experience for members, and meanwhile promotes Jinmao Services to enter the stage of hierarchical and refined operation of users by focusing on "Jinbei", a system of bonus point.


In December 2022, Jinmao PM signed a strategic cooperation agreement with the Management Committee of Xuzhou Economic and Technological Development Zone, under which it will make full use of the resource advantages of the Economic and Technological Development Zone as a gathering place of CBDs and industrial parks, focus on the "investment attraction and operation + park services" concept of industrial parks and integrate the resources in the region for overall operation, in a bid to build the Zone to a model for urban operation service development in Jiangsu province and even the whole country, demonstrating the spirit of "industry gathers people, service retains people" with high quality.

# CORPORATE INFORMATION

## Legal Name of the Company
Jinmao Property Services Co., Limited

## Stock Code
00816

## Date of Listing
10 March 2022

## Principal Place of Business in the PRC
6F, YouAn International Tower
Unit 2, Xitieying Middle Ave
Fengtai District
Beijing
the PRC

## Registered Office
Rm 4702-03, 47/F
Office Tower Convention Plaza
1 Harbour Road, Wanchai
Hong Kong

## Executive Directors
Mr. Xie Wei *(Chief Executive Officer)*
Ms. Zhou Liye

## Non-executive Directors
Mr. Jiang Nan *(Chairman)*
Ms. He Yamin
Ms. Qiao Xiaojie

## Independent Non-executive Directors
Dr. Chen Jieping
Dr. Han Jian
Mr. Sincere Wong

## Audit Committee
Dr. Chen Jieping *(Chairman)*
Mr. Sincere Wong
Ms. Qiao Xiaojie

## Remuneration and Nomination Committee
Dr. Han Jian *(Chairman)*
Dr. Chen Jieping
Ms. He Yamin

## Strategy and ESG Committee
Mr. Jiang Nan *(Chairman)*
Mr. Xie Wei
Ms. Zhou Liye
Mr. Sincere Wong

## Company Secretary
Ms. Ho Wing Tsz Wendy

## Authorized Representatives
Ms. Zhou Liye
Ms. Ho Wing Tsz Wendy

## Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17/F Hopewell Centre
183 Queen's Road East
Hong Kong

## Auditor
Ernst & Young
Registered Public Interest Entity Auditor
27/F, One Taikoo Place
979 King's Road
Quarry Bay
Hong Kong

## Legal Advisor
Latham & Watkins LLP
18/F, One Exchange Square
8 Connaught Place
Central, Hong Kong

## Compliance Advisor
First Shanghai Capital Limited
19/F, Wing On House
71 Des Voeux Road Central
Hong Kong

## Principal Banks
DBS Bank Ltd., Hong Kong Branch
Bank of China, Hong Kong Branch

## Investor and Media Relations
Email: ir_jmservices@sinochem.com
Website: www.jinmaowy.com

# FINANCIAL SUMMARY

## Financial summary

### Consolidated results

| | 2022 RMB'000 | 2021 RMB'000 | change |
|---|---|---|---|
| Revenue | 2,436,035 | 1,515,525 | 60.7% |
| Gross profit | 733,870 | 470,034 | 56.1% |
| Gross profit margin (%) | 30.1% | 31.0% | -0.9 pts |
| Profit for the year | 341,421 | 179,011 | 90.7% |
| Net profit margin (%) | 14.0% | 11.8% | 2.2 pts |
| Profit attributable to owners of the parent | 336,002 | 177,977 | 88.8% |
| Basic and diluted earnings per share (RMB) | 0.38 | 0.22 | 72.7% |

### Consolidated financial position

| | 2022 RMB'000 | 2021 RMB'000 | change |
|---|---|---|---|
| Total assets | 3,003,528 | 1,359,052 | 121.0% |
| Total equity | 1,360,226 | 203,981 | 566.8% |
| Equity attributable to owners of the parent | 1,343,173 | 195,397 | 587.4% |
| Cash resources[1] | 1,020,607 | 554,897 | 83.9% |
| Gearing ratio[2] | – | – | – |
| Current Ratio (times) | 1.59 | 1.11 | 0.48 |

*Notes:*

1. including restricted cash.
2. interest-bearing borrowings (excluding lease liabilities) divided by total equity, multiplied by 100%.

# CHAIRMAN'S STATEMENT

**Property service starts with trust, thrives with quality and accomplishes with value. Jinmao Services will stay customer-centric and continue to improve service quality and enhance operation management efficiency, creating greater values for shareholders, customers and society.**

Chairman of the Board and Non-executive Director

**Jiang Nan**

Dear shareholders:

On behalf of the board of directors (the "**Board**"), I hereby present the 2022 annual business review and future business prospects of Jinmao Property Services Co., Limited ("**Jinmao Services**", the "**Company**" or "**our Company**") and its subsidiaries (collectively, the "**Group**", "**our Group**" or "**We**").

## Review of 2022

In 2022, amidst the complex and volatile international situation, coupled with the COVID-19 pandemic which lingered on for almost the entire year and the challenges facing China's economic development, the Group proactively fulfilled its responsibilities as a central enterprise, adhered to its strategy of "High, Comprehensive, Innovative and Fast" and focused on the pandemic prevention and control as well as the business operations at the same time, leading all the business segments to buck the trend to grow, and its high-end service capabilities and enterprise growth capabilities both maintaining an industry-leading position.

Staying customer-centric. A property service company highly relies on brand and reputation to build its core competitiveness, and Jinmao Services' brand image is an accumulation of its good reputation to offer quality service for a long term. In 2022, Jinmao Services continued to put massive resources to customer research and service, and continued to improve customer service experience and community atmosphere by establishing the Voice of Customers (VOC) system, service innovation R&D system and customer experience management system, launching the customer experience officer plan and the Maolinli good life plan (茂lin里美好生活計劃), and upgrading its full-modes quality control benchmark. As a result, the Company's quality and customer satisfaction remained at a high level while its management scale achieved a rapid growth.

Pursuing high-quality growth. In 2022, we carried out active market practices through measures such as system construction, system platform construction and personnel team construction, improving our market expansion capabilities in an all-round way. In terms of urban services, the Company focused on the three core businesses of urban public services, urban operation services and urban governance services, and aimed at high-level cities to further expand the urban operation services. In terms of merge and acquisition, we completed the acquisition of Beijing Capital Services and completed territorial integration quickly, which further enriched our management modes and effectively improved our management efficiency. In terms of expansion, we made full use of our brand influence on projects under management and successfully obtained several quality projects that meet the Company's requirements for high-quality positioning, which further increased our project management density and provided quality property services to more users.

Adhering to the service ecology construction. In 2022, we made more efforts in community value-added services innovation, stayed customer demand-oriented, focused on four core businesses and continued to iterate and upgrade products. We kept enriching the community lifestyle service and commercial enterprise service content to effectively meet customers' diversified service needs during the pandemic. We proactively attempted to innovate our home decoration, asset and space resource businesses, upgraded the middle- and back-office management system and set up an "agile team" empowerment mode, which greatly improved the service response efficiency and realized a rapid growth of the community value-added service business.

Insisting on digital development. In terms of business empowerment, we completed the development and launch of the investment and expansion auxiliary platform, the home decoration business system, the leasing and sales business system and the space resource business system, which empowered the Company's scale expansion and community value-added business development. In terms of operation empowerment, the Company put into operation the master data platform, the e-commerce bidding and procurement platform and the preliminary case database platform, so as to promote the integration of business and finance and continuously improve the Company's operation and management efficiency.

Improving organizational ability constantly. In 2022, we carried out the special campaign of "lean management", further optimized the Company's organizational structure and power and responsibility procedure, strengthened implementation of the benchmark management system, reinforced the organization and staff incentives, and implemented the requirements of the State-owned Assets Supervision and Administration Commission (SASAC) of improving the quality of listed companies, which lifted our human-efficiency indicators and further released the organizational vitality, laying a solid foundation for achieving the annual results.

## Outlook

The report of the 20th National Congress of the Communist Party of China proposed to promote people's wellbeing, improve people's quality of life, and constantly realize people's aspirations for a better life. The property industry is a service industry which is most closely connected with people's life and production, and with continuous release of the favorable factors for a rising macroeconomy, the government will continue to strengthen its positive guidance to the property service industry, and the stable and healthy development trend of property management industry will become more obvious as well. At the same time, people's demands for high-quality life, enterprises' demands for high-quality development, cities' demands for lean management will further extend the boundaries of the property management, and diversified, full-modes and high-quality services will be favored by the market further.

The Group will stay customer-centric, adhere to the development strategy of "High, Comprehensive, Innovative and Fast", take a proactive approach to seize opportunities, give full play to its advantages in quality services and urban operation services, and deeply explore customer needs to promote the management scale to grow steadily while with high quality and the value-added business to develop fast. Meanwhile, the Group will vigorously carry forward the lean management project, increase investment in grassroots governance and digital construction to provide a sustainable organizational ability guarantee for the Company's development. On behalf of the Board, I would like to express my sincere gratitude to the shareholders of the Company, customers and the community for their trust and support.

**JINMAO PROPERTY SERVICES CO., LIMITED**
*Chairman of the Board and Non-executive Director*
**Jiang Nan**

# CHIEF EXECUTIVE'S STATEMENT

**Jinmao Services will adhere to its original intention of "serving the customers, serving the cities and serving the society" to offer high-quality service and better service experience, focus on core customers, core markets and core tracks, center on customer needs, expand the service scope, consolidate the foundation to embrace a brighter future.**

Executive Director and Chief Executive Officer
**Xie Wei**

Dear shareholders:

I am pleased to present the Group's annual results for the year ended 31 December 2022.

## Results for 2022

For the year ended 31 December 2022, the Group achieved revenue of approximately RMB2,436.0 million, representing a year-on-year increase of 60.7%, and gross profit of approximately RMB733.9 million, representing a year-on-year increase of 56.1%. Adjusted net profit for the year (excluding listing expenses and exchange loss for the year) amounted to approximately RMB380.4 million, representing a year-on-year increase of 95.0%. Net profit margin was 14.0%. Profit during the year increased to approximately RMB341.4 million in 2022 from approximately RMB179.0 million in 2021, representing a year-on-year increase of 90.7%. Earnings per share amounted to RMB0.38, representing a year-on-year increase of 72.7%.

As of 31 December 2022, the Group's GFA under management and contracted GFA were 56.9 million sq.m. and 80.8 million sq.m., respectively, representing an increase of 56.3% and 40.3%, respectively, as compared to 31 December 2021, covering 68 cities in 24 provinces, municipalities and autonomous regions in China. As of 31 December 2022, the GFA under management from third parties amounted to nearly 21.4 million sq.m., and the proportion of GFA under management from third parties increased from 34.1% as at the end of 2021 to 37.7%.

In terms of customer service, we adhered to the essence and original intention of property service and created a better life for customers with our long-termism concept and sustainable quality services. In 2022, we continued to deepen quality management benchmark, upgraded the "customer experience officer plan", increased investment to stabilize quality and established the customer experience indicator management system, contributing to the service quality and customer experience's stability at a high level. With an overall annual customer satisfaction of 94 points, we remained at the first echelon of the industry.

In terms of market expansion, we adhered to the high-quality development strategy of focusing on scale and quality at the same time, and achieved a steady growth in the management scale of the Company, a more complete range of management modes of the Company and a further improvement in the management efficiency and profitability of the Company. During the year, we achieved contracted GFA of over 20 million sq.m. for market expansion and completed conversion of nearly 10 million sq.m.. We successfully acquired Beijing Capital Services, which brought us new contracted GFA of over 7 million sq.m., further consolidated our management abilities on commercial and office modes and effectively increased the density of our urban projects. We continued to deepen the urban operation service business and conducted special research on urban service product power, with 25 new conversion contracts from existing urban service projects and 4 new contracted urban service projects, and the urban operation service covers various areas including basic property management, asset operation services, emergency management services and urban governance services.

In terms of value-added service, we were dedicated to creating and enriching diversified service modes, focused on customer needs to improve customer experience and business results at the same time. To fight with the pandemic, we developed and enriched lifestyle service and enterprise service products to effectively guarantee normal life and production quality of C-end customers and enterprise customers. We seized the increment and stock market opportunities, innovated home decoration business modes and categories, put more resources to the asset business outlets and improved utilization efficiency of the space resources. Meanwhile, we strengthened the agile development of the value-added business online system to effectively improve the efficiency throughout the product ordering, sale, contract, payment and accounting. In 2022, our community value-added service segment achieved revenue and gross profit of RMB644.6 million and RMB260.1 million, respectively, representing a year-on-year increase of 247.3% and 186.8%, respectively.

In terms of organizational building, we continued to improve the organizational efficiency through the special campaign of lean management. The integration of business and finance was moving forward steadily, the "big project" operation mode has been implemented in several projects, more efforts were made in the digitalization process, and the intensive tender and procurement effectively saved and reduced supply chain costs. Through the mechanisms including efficiency incentives, person-order integration and working-together, the organizational vitality and per capita efficiency have been improved further. We fully implemented the benchmark management system and effectively achieved the business targets through the operation stakeholder management mechanism, the investment and operation integrated mechanism and the value creation mechanism.

## Outlook for 2023

During the COVID-19 pandemic, all the practitioners in the property management industry strived to guarantee the people's livelihood and served the property owners, which greatly improved their social recognition and industry value. Looking forward to 2023, we will adhere to our original intention of "serving the customers, serving the cities and serving the society" and center on the customer needs to provide high-quality services. We will focus more on customer experience, strengthen communication with customers and accurately capture their needs, and make more efforts in the service innovation research. We will continue to serve our key customers well, optimize and innovate our service modes and explore new business opportunities. We will continue to put more resources to core cities and actively explore new core customers, core markets and core tracks. Meanwhile, through management means such as mechanism traction, digital empowerment and organizational reform, we will strengthen grassroots governance, consolidate the foundation, constantly improve the organizational efficiency, inspire all the staff's enthusiasm for work and entrepreneurship and forge a lean, efficient and well-disciplined organization, constantly creating stable value growth for customers, shareholders and society.

**JINMAO PROPERTY SERVICES CO., LIMITED**
*Executive Director and Chief Executive Officer*
**Xie Wei**

# HONOURS AND AWARDS


With its leading position in the field of high level services, and its outstanding performance in service quality, customer satisfaction, urban operation services and digital construction, Jinmao Services has been recognized by many industry authorities and won dozens of honors in 2022.

# GEOGRAPHIC COVERAGE

The map below illustrates the geographic coverage of the properties under our management in terms of (i) GFA under management and (ii) contracted GFA for the year ended 31 December 2022, respectively, and the cities in China where our contracted properties and properties under management are located:


## Eastern region

- Changzhou
- Chuzhou
- Fuzhou
- Ganzhou
- Hangzhou
- Hefei
- Huzhou
- Jinan
- Jiaxing
- Jinhua
- Lianyungang
- Linyi
- Nanchang
- Nanjing
- Nantong
- Ningbo
- Qingdao
- Quanzhou
- Xiamen
- Shanghai
- Shaoxing
- Suzhou
- Taizhou (台州)
- Taizhou (泰州)
- Weihai
- Weifang
- Wenzhou
- Wuxi
- Xuzhou
- Yantai
- Yancheng
- Zaozhuang
- Zhenjiang
- Zhoushan
- Zibo

## Northern region

- Baoding
- Beijing
- Shijiazhuang
- Taiyuan
- Tangshan
- Tianjin
- Zhangjiakou
- Handan

## Central region

- Changsha
- Huaihua
- Wuhan
- Yueyang
- Zhengzhou
- Zhuzhou
- Ezhou

## Southern region

- Beihai
- Dongguan
- Foshan
- Guangzhou
- Nanning
- Sanya
- Shantou
- Shenzhen
- Zhuhai
- Wanning

## Southwestern region

- Chengdu
- Guiyang
- Kunming
- Lijiang
- Chongqing

## Northwestern region

- Lanzhou
- Xi'an

## Northeastern region

- Shenyang

# MANAGEMENT DISCUSSION AND ANALYSIS

A discussion and analysis of the Group for the year ended 31 December 2022 is set out below:

## BUSINESS REVIEW

### Business overview

We are engaged in three business lines, namely property management services, value-added services to non-property owners, and community value-added services. We also provide city operation services, the scope of which spans across our three business lines.

#### Property management services

We provide a range of property management services to property owners and residents, as well as property developers, including, among others, security, cleaning, greening, gardening and repair and maintenance services for the operation of common area facilities.

Our property management portfolio covers residential properties, in particular, high-end ones, and a wide range of non-residential properties, including commercial properties, such as office buildings and shopping malls, and public and other properties, such as schools, government facilities and other public spaces.

During the year ended 31 December 2022, we charged property management fees for property management services substantially on a lump sum basis, with a small portion charged on a commission basis.

#### Value-added services to non-property owners

We provide value-added services to non-property owners, including sales assistance services to property developers to assist with their sales and marketing activities at property sales venues and display units, and consultancy and other value-added services such as predelivery and consultancy services, mainly to property developers.

#### Community value-added services

We provide community value-added services mainly to property owners and residents of our managed properties to address their daily lifestyle needs, which mainly consist of platform services for interior decoration, community living services such as housekeeping, new retail and catering services, community space operation services such as elevator advertising services and car park space management services, and real estate brokerage services.

Additionally, we provide city operation services in multiple forms to assist governments and enterprises in the optimization, innovation and distribution of urban resources and the delivery of value-added public services to citizens. The service scope of our city operation services spans across our three business lines.

## Property management services

We insist on rapid development to achieve rapid growth of contracted GFA and GFA under management. As at 31 December 2022, our contracted GFA was approximately 80.8 million sq.m., and GFA under management was approximately 56.9 million sq.m., representing an increase of approximately 40.3% and approximately 56.3%, respectively, as compared to 31 December 2021. Our undelivered GFA, as the main source of the GFA under management, was approximately 23.9 million sq.m., laying a solid foundation for the stable growth of the Group.

We focus on diversified business lines in first-tier, new first-tier and second-tier cities with prominent advantages of high-end commercial properties. Our diversified property management portfolio extends to an increasing variety of office buildings and shopping malls, industrial parks and public properties such as government facilities, international schools and other public spaces. Our all-inclusive property portfolio maximizes synergies across different property types under our management, and enhances the vitality of our multi-dimensional service offerings. In particular, we have gained rich property management experience in the field of high-end commercial and office buildings and large public construction such as the service experience in benchmark projects including Shanghai Jinmao Tower (Shanghai), Chemsunny World Trade Center (Beijing), Xicheng Jinmao Centre (Beijing), Asia-Europe International Building (Lanzhou), Jinmao ICC (Changsha), National Tennis Centre, etc.

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by property type for 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 | % | GFA under management '000 sq.m. | Revenue RMB'000 | % |
| Residential properties | 38,674 | 776,856 | 64.4 | 23,460 | 482,537 | 58.6 |
| Non-residential properties | 18,189 | 430,003 | 35.6 | 12,960 | 340,692 | 41.4 |
| Total | 56,863 | 1,206,859 | 100.0 | 36,420 | 823,229 | 100.0 |

We explore new projects based on our existing projects, and continue to tap into the potential scale of independent markets. While receiving strong support from China Jinmao and Sinochem Holdings Corporation Ltd. (the ultimate controlling shareholder of China Jinmao, "**Sinochem Holdings**"), we are also actively working towards the open market in diversified ways. We will take the projects we have already obtained as the starting point and continue to penetrate into the local regions, so as to achieve the expansion of the scale of GFA under management and the density increase of projects in the local cities.

At the same time, we continue to explore potential opportunities for investment, mergers and acquisitions and actively track the high-quality targets. On 17 June 2022, we acquired 100% equity interest in Beijing Capital Services at a consideration of RMB450 million, thereby obtaining 53 contracts and locked-in projects including residential properties, outlet commercial complexes and urban core complexes, which further consolidated the competitive advantages of Jinmao Services in the field of upscale property services and effectively supplemented the Company's business scale and management capabilities. For details, please see "Directors' Report - Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures".

The table below sets forth the breakdown of our GFA under management on the dates indicated and revenue from property management services by the source of the projects for 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 | % | GFA under management '000 sq.m. | % | Revenue RMB'000 | % |
| – Properties developed by Jinmao Group as well as Sinochem Holdings and its subsidiaries (and their respective joint ventures and associates) | 35,453 | 62.3 | 1,026,595 | 85.1 | 24,004 | 65.9 | 756,251 | 91.9 |
| – Properties developed by independent third parties | 21,410 | 37.7 | 180,264 | 14.9 | 12,416 | 34.1 | 66,978 | 8.1 |
| Total | 56,863 | 100.0 | 1,206,859 | 100.0 | 36,420 | 100.0 | 823,229 | 100.0 |

As a pioneer in city operation service sector in China, we have rapidly scaled up and further diversify our city operation property portfolio and service offerings. Leveraging our solid property management and customer service capabilities, we step beyond traditional property management services to provide specialized, standardized and digital city operation solutions for customers from all walks of life. Our well-rounded capabilities and deep-rooted connection with Jinmao Group have enabled us to continuously capitalize on Jinmao Group's strong project pipeline in the city operation sector. As of 31 December 2022, we had entered into preliminary property management contracts for 23 city operation projects of Jinmao Group, representing a diverse portfolio of office building complexes, new towns, cultural towns and smart cities in Shanghai, Changsha, Lijiang, Qingdao, Nanjing, Sanya, Wenzhou, Tianjin, Wuxi, Ningbo etc., among which 18 projects were in operation.

City operation has high entry barriers in terms of technology and experience due to the scope and complexity of services involved. As the upscale property management arm of Jinmao Group, and benefiting from our extensive experience in multi-format and premium-grade city operation services, we believe we are well positioned to capitalize on future market opportunities from independent third parties in the city operation service sector by expanding our management scale and diversifying our city operation portfolio and service offerings. We typically seek to enter into strategic cooperation agreements with government authorities and state-owned enterprises, optimize the allocation of social resources, and have built a multi-dimensional management mechanism for city operation services. As of 31 December 2022, we have established cooperative relations with Jiaxing, Zhoushan, Nanjing, Wenzhou, Zibo, Nanchang and Xuzhou governments.

Our projects cover 68 cities across 24 provinces, municipalities and autonomous regions in China as of 31 December 2022, with a strong focus on high-end properties in core cities, and the share of GFA under management in the first-tier, new first-tier and second-tier cities reached 94.0%. We have significant advantages in Eastern region and Northern region and established a nationwide business in China. GFA under management of Eastern region, Northern region, Central region, Southwestern region, Southern region, Northwestern region and Northeastern region accounted for 63.3%, 12.9%, 9.5%, 7.5%, 5.7%, 0.9% and 0.2% of our total GFA under management as of 31 December 2022.

The table below sets forth a breakdown of our GFA under management by geographic location on the dates indicated and revenue generated from property management services for the years ended 31 December 2022 and 2021 respectively:

| | As at 31 December or for the year ended 31 December | | | | | |
|---|---|---|---|---|---|---|
| | 2022 | | | 2021 | | |
| | GFA under management '000 sq.m. | Revenue RMB'000 | % | GFA under management '000 sq.m. | Revenue RMB'000 | % |
| Eastern region [1] | 35,994 | 588,850 | 48.8 | 24,670 | 402,195 | 48.9 |
| Northern region [2] | 7,317 | 326,625 | 27.1 | 3,953 | 238,731 | 29.0 |
| Central region [3] | 5,410 | 151,218 | 12.5 | 3,442 | 100,203 | 12.2 |
| Southwestern region [4] | 4,242 | 74,536 | 6.2 | 1,851 | 44,868 | 5.5 |
| Southern region [5] | 3,275 | 49,541 | 4.1 | 2,244 | 35,695 | 4.3 |
| Northwestern region [6] | 526 | 14,415 | 1.2 | 260 | 1,537 | 0.1 |
| Northeastern region [7] | 99 | 1,674 | 0.1 | – | – | – |
| Total | 56,863 | 1,206,859 | 100.0 | 19,877 | 823,229 | 100.0 |

*Notes:*

(1) "Eastern region" refers to Shanghai, Zhejiang province, Jiangsu province, Jiangxi province, Shandong province, Fujian province and Anhui province;

(2) "Northern region" refers to Beijing, Tianjin, Shanxi province, Hebei province and the central area of Inner Mongolia (Hohhot, Baotou and Ulanqab);

(3) "Central region" refers to Hubei province, Hunan province and Henan province;

(4) "Southwestern region" refers to Chongqing, Sichuan province, Yunnan province, Guizhou province and Tibet;

(5) "Southern region" refers to Guangxi Zhuang autonomous region, Guangdong province and Hainan province;

(6) "Northwestern region" refers to Gansu province, Ningxia Hui autonomous region, Shaanxi province, Xinjiang Uygur autonomous region and the western area of Inner Mongolia autonomous region (Alxa League, Bayannur, Wuhai and Ordos); and

(7) "Northeastern region" refers to Liaoning province, Jilin province, Heilongjiang province and the eastern area of Inner Mongolia autonomous region (Hulunbeier, Tongliao, Chifeng, Hinggan League and Xilingol League).

According to the city classification by China Business Network in 2022, the table below sets out the GFA under management in different city-tiers where our projects are mainly located as of 31 December 2022:

| | GFA under management '000 sq.m. | % |
|---|---|---|
| First-tier cities[(1)] | 9,516 | 16.7 |
| New first-tier cities[(2)] | 30,717 | 54.0 |
| Second-tier cities[(3)] | 13,168 | 23.2 |
| Other cities | 3,462 | 6.1 |
| Total | 56,863 | 100.0 |

*Notes:*

(1) First-tier cities include Shanghai, Beijing, Guangzhou and Shenzhen.

(2) New first-tier cities include Chengdu, Chongqing, Hangzhou, Xi'an, Wuhan, Suzhou, Zhengzhou, Nanjing, Tianjin, Changsha, Dongguan, Ningbo, Foshan, Hefei and Qingdao.

(3) Second-tier cities include Kunming, Shenyang, Jinan, Wuxi, Xiamen, Fuzhou, Wenzhou, Jinhua, Guiyang, Nanning, Quanzhou, Shijiangzhuang, Nanchang, Changzhou, Jiaxing, Xuzhou, Nantong, Taiyuan, Baoding, Zhuhai, Lanzhou, Linyi, Weifang, Yantai and Shaoxing.

We seek growth with both quality and efficiency, and maintain high charging rates. While we are growing rapidly, we keep following the overall high-quality development standards by continuously optimizing our projects under management. As of 31 December 2022, the average property management fees for residential projects under management were approximately RMB3.37/sq.m./month, while the average property management fees for non-residential projects under management were approximately RMB17.63/sq.m./month.

In 2022, the Group has focused on the high-quality services based on the needs of owners and continued to improve the loyalty and satisfaction of owners. According to FG Consulting, an independent researcher focusing on real estate customer relationship, our overall customer satisfaction rate in 2022 was 94%, which was higher than the industry average. At the same time, the Group adhered to the management concept of price matching quality, and raised the prices for some projects during the year to improve the sustainable development capabilities of existing projects. In terms of third-party expansion, the Group has made active efforts to enter first-tier, new first-tier and second-tier key cities with bright development prospects to develop diverse projects.

## Value-added services to non-property owners

In 2022, Jinmao Services has standardized its service model from the dimensions of organization team, service process and product standards to continuously improve its service level. Our revenue from value-added services to non-property owners for the year ended 31 December 2022 was approximately RMB584.6 million, an increase of approximately 15.4% as compared to the same period last year, accounting for approximately 24.0% of the Group's total revenue.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **RMB'000** | **%** | RMB'000 | % |
| Sales assistance services | **265,273** | **45.4** | 234,429 | 46.3 |
| Consultancy and other value-added services to non-property owners | **319,346** | **54.6** | 272,295 | 53.7 |
| Total | **584,619** | **100.0** | 506,724 | 100.0 |

## Community value-added services

In 2022, Jinmao Services continued to improve the community value-added service team, continuously optimized service products and established a standardized service system. As a result, the revenue from core business continued to increase. Our revenue from community value-added services for the year ended 31 December 2022 was approximately RMB644.6 million, an increase of approximately 247.3% as compared to the same period last year, accounting for approximately 26.5% of the Group's total revenue, which increased by approximately 14.2 percentage points as compared to the same period last year.

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **RMB'000** | **%** | RMB'000 | % |
| Community space operation services[1] | **184,708** | **28.7** | 111,278 | 60.0 |
| Community living services | **172,802** | **26.8** | 24,924 | 13.4 |
| Real estate brokerage services | **153,765** | **23.8** | 38,147 | 20.6 |
| Platform services for interior decoration | **133,282** | **20.7** | 11,223 | 6.0 |
| Total | **644,557** | **100.0** | 185,572 | 100.0 |

*Note:*

1 Includes rental income from investment properties operating leases.

# FUTURE OUTLOOK

## Future development plans

The Group continues to build a good life where new type of towns grow vigorously, inhabiting and flourishing on the earth. Property services are indispensable to the people's aspiration for a better life, as well as the prosperity and growth of cities. In our persistent business practice and industry thinking, we firmly believe that the ultimate goal of property services is to realize the future residences and city dreams through high-quality services.

Looking ahead to 2023, positive macroeconomic factors will be released at a faster pace. The demands for high-quality life services, professional commercial enterprise services and refined urban management will grow steadily, and the growth trend in core city clusters and new first- and second-tier cities will become more prominent. The Group has deployed community life services, commercial enterprise services and urban operation services in core cities, and has established a good customer reputation and market foundation with its outstanding quality.

In 2023, the Group will adhere to a "High, Comprehensive, Innovative and Fast" strategy, give full play to its moat advantage of quality services and urban operation services, earnestly execute every contract and promise, continuously improve its own governance capabilities and fulfill its commitment to high-quality development. First of all, we will insist on the customer-centric development concept, continue to implement the "high virtuous circle" development logic and further give play to the Company's advantages in customer research, service design, customer experience management and service product innovation to consolidate the customer experience management system and quality management system continuously, so as to deliver high-quality property management services to the communities, enterprises, businesses, cities and governmental customers in a stable manner. Second, we will insist on high-quality market expansion, continue to build a differentiated competitive barrier, focus on core cities, core markets and core tracks, put more resources to the market, make full use of the good reputation of the projects under management, further increase the density of regional projects, further increase the scale of commercial

enterprise services and urban services, further strengthen resource coordination with Sinochem Group and China Jinmao, select quality targets for merger and acquisition to quickly strengthen the Group's capabilities and expand its management scale. Third, we will persist in building a value-added service ecology oriented to customer needs, and extend the boundaries of life services, home decoration services and asset services to provide upstream property developers, commercial enterprises, government authorities and terminal users with more convenient and efficient solutions to diversified service demands and drive the Company's revenues from value-added businesses to grow steadily by enriching service content, lifting service standards and improving business modes. Fourth, we will insist on investing in brand building, continue to build our moat of reputation and optimize our product branding system, further strengthen our brand advantages in high-quality services, city operation services and commercial enterprise services, and deepen the reputation of our customers in the cities we have entered, so as to enhance our reputation influence, competitiveness and brand premium capacity. Fifth, we will adhere to the people-oriented approach to achieve the common growth of employees and the enterprise. The Company will launch three systematic projects, namely, "human resources supply chain, human resources value chain and human resources ecological chain", further strengthen talent training and reserves, increase the capacity density of management talents, skilled talents, professional talents and new business talents, strengthen the cultural identity of employees, and continuously improve human efficiency; further enhance employee loyalty and service power of customer interface, continuously create a broad development space for employees, and promote employees to share, create and grow with the enterprise. Sixth, the Company will insist on seeking benefits from management and continue to promote the improvement of grassroots governance capabilities. The Company will carry forward the special project of "lean management", continue its work involving integration of business and finance, procedure optimization and operation benchmark management, reinforce supply chain management and construction, and further reduce the business costs and sales management expenses through continuous investment in digitalization and management innovation. We will carry out a special campaign on grassroots governance. Themed on "problem-oriented, systematic thinking, lean and efficient and well-disciplined", the campaign aims at self-improvement throughout the Group, promotes learning from each other to make up for deficiencies, and focuses on advancing grassroots employees' abilities to offer services and solve problems. We will embed the high-performance culture of "making it better" into every smallest business unit to ensure every key strategic initiative will be implemented precisely.

The Group takes the ESG management as its long-term strategic task, and the Company has established an ESG management architecture comprising the Board of Directors, strategy and ESG committee, ESG workgroup, as well as many other departments and segments, and the ESG work has been fully integrated into the Company's governance system. In 2023, the Company will shoulder corporate social responsibility together with its partners, drive the sustainable development targets of ESG to be implemented, and insist on the long-termism to create everlasting values for customers, shareholders, society and employees.

# FINANCIAL REVIEW

## Revenue

Our Group's revenue was generated from three business lines: (i) property management services; (ii) value-added services to non-property owners; and (iii) community value-added services.

The following table sets out the breakdown of our total revenue by business lines for the years ended 31 December 2022 and 2021 respectively:

| | 2022 | | 2021 | | Changes |
|---|---|---|---|---|---|
| | RMB'000 | % | RMB'000 | % | % |
| Property management services | 1,206,859 | 49.5 | 823,229 | 54.3 | 46.6 |
| Value-added services to non-property owners | 584,619 | 24.0 | 506,724[2] | 33.4[2] | 15.4[2] |
| Community value-added services[1][2] | 644,557 | 26.5 | 185,572[2] | 12.3[2] | 247.3[2] |
| Total | 2,436,035 | 100.0 | 1,515,525 | 100.0 | 60.7 |

*Notes:*

(1) Includes gross rental income from investment properties operating leases.

(2) In 2022, due to the change in the management structure of the Company, the car parking lots sales agency services were included in the management of the community value-added section, and certain comparative information has been reclassified to conform with the presentation of the financial information for the year ended 31 December 2022.

Revenue from property management services increased by approximately 46.6% to approximately RMB1,206.9 million in 2022 from approximately RMB823.2 million in 2021. This increase was mainly attributable to an increase in our GFA under management, which increased to approximately 56.9 million sq.m. as of 31 December 2022 from approximately 36.4 million sq.m. as of 31 December 2021, as a result of our business expansion.

Revenue from value-added services to non-property owners increased by approximately 15.4% to approximately RMB584.6 million in 2022 from approximately RMB506.7 million in 2021. The increase was primarily due to (i) the increase in revenue from post-delivery services as the floor area under our management increased, and (ii) the increase in revenue from sales assistance services as the number of managed properties increased to 382 as of 31 December 2022 from 175 as of 31 December 2021.

Revenue from community value-added services increased by approximately 247.3% to approximately RMB644.6 million in 2022 from approximately RMB185.6 million in 2021. The increase was primarily due to (i) the increase in revenue from community living services by approximately 594.0% from approximately RMB24.9 million in 2021 to approximately RMB172.8 million in 2022 as a result of the increase in the number of properties under management with the expansion of business scale, (ii) the increase in revenue from platform services for interior decoration by approximately 1,090.2% from approximately RMB11.2 million in 2021 to approximately RMB133.3 million in 2022 as a result of our efforts in building a service team of platform services for interior decoration to explore existing businesses and expand various product types regarding platform services for interior decoration during the year; and (iii) the increased revenue from real estate brokerage services, which increased from approximately RMB38.1 million in 2021 to approximately RMB153.8 million in 2022, representing a rise of 303.7%.

## Cost of sales

Cost of sales increased by approximately 62.8% to approximately RMB1,702.2 million for the year ended 31 December 2022 from approximately RMB1,045.5 million for the year ended 31 December 2021. Such increase was in line with our growth in revenue for the year and was primarily due to the increase in the number of properties under our management.

## Gross profit and gross profit margin

Gross profit increased by 56.1% to approximately RMB733.9 million for the year ended 31 December 2022 from approximately RMB470.0 million for the year ended 31 December 2021. Our overall gross profit margin decreased to approximately 30.1% for the year ended 31 December 2022 from approximately 31.0% for the year ended 31 December 2021 primarily due to the increase in expenditures on product development and promotion as a result of the vigorous expansion of community value-added business during the year.

Gross profit and gross profit margin of the Group by business lines were as follows:

| | **2022** | | 2021 | |
|---|---|---|---|---|
| | **Gross profit RMB'000** | **Gross profit margin %** | Gross profit RMB'000 | Gross profit margin % |
| Property management services | **203,248** | **16.8** | 149,941 | 18.2 |
| Value-added services to non-property owners | **270,499** | **46.3** | 229,358[2] | 45.3[2] |
| Community value-added services[1] | **260,123** | **40.4** | 90,735[2] | 48.9[2] |
| Total | **733,870** | **30.1** | 470,034 | 31.0 |

*Notes:*

(1) Includes gross rental income from investment properties operating leases.

(2) In 2022, due to the change in the management structure of the Company, the car parking lots sales agency services were included in the management of the community value-added section, and certain comparative information has been reclassified to conform with the presentation of the financial information for the year ended 31 December 2022.

The gross profit margin of property management services for the year ended 31 December 2022 was approximately 16.8%, representing a decrease of 1.4 percentage points as compared to that of approximately 18.2% for the year ended 31 December 2021, which was mainly due to the increase in investments in pandemic prevention measures as a result of the recurrence of the COVID-19 pandemic during the year.

Gross profit margin from value-added services to non-property owners increased to approximately 46.3% for the year ended 31 December 2022 from approximately 45.3% for the year ended 31 December 2021, primarily due to the increase in revenue from the preliminary planning and design services and post-delivery services, which generally resulted in higher profit margins as compared to other value-added services we provided to the non-property owners.

Gross profit margin for community value-added services decreased to approximately 40.4% for the year ended 31 December 2022 from approximately 48.9% for the year ended 31 December 2021, primarily due to the significant expansion in scale of community value-added services during the year, which resulted in the increase in staffing and resources expenditures.

## Other income and gains

Other income and gains include (i) gains on fair value changes; (ii) bank interest income; (iii) loan interest income; (iv) tax incentives on value-added tax; (v) government grants; (vi) others such as late fees charged to customers who failed to make timely payments. Our other income and gains increased by approximately RMB0.6 million or 1.3% from approximately RMB45.5 million for the year ended 31 December 2021 to approximately RMB46.1 million for the year ended 31 December 2022. Such increase was mainly due to gains on fair value changes generated from the appraised appreciation of the investment properties during the year.

## Selling and distribution expenses

Selling and distribution expenses increased to approximately RMB54.0 million for the year ended 31 December 2022, representing an increase of 267.3% from approximately RMB14.7 million for the year ended 31 December 2021. The significant increase was due to an increase in the number of sales and distribution employees by approximately 103.1% from 65 employees as at 31 December 2021 to 132 employees as at 31 December 2022 and the related increase in labour costs and administrative expenses, which was in line with our continuously significant expansion of our property services business developed by independent third parties in 2022.

## Administrative expenses

Administrative expenses increased to approximately RMB239.5 million for the year ended 31 December 2022, representing an increase of approximately 14.4% from approximately RMB209.4 million for the year ended 31 December 2021. This increase was mainly attributable to an increase in staff costs primarily as a result of our business expansion.

## Finance costs

Finance costs decreased by approximately 95.3% to approximately RMB1.6 million for the year ended 31 December 2022 from approximately RMB33.7 million for the year ended 31 December 2021. This decrease was primarily due to our repayment in 2021 of the asset-based securities arrangement entered into in 2018.

## Income tax expenses

Income tax expenses increased by approximately 51.8% to approximately RMB104.9 million for the year ended 31 December 2022 from approximately RMB69.1 million for the year ended 31 December 2021. This increase was primarily attributable to an increase in pre-tax profit to approximately RMB446.3 million for the year ended 31 December 2022 from approximately RMB248.1 million for the year ended 31 December 2021.

## Profit for the year

As a result of the foregoing, our profit for the year increased by approximately 90.7% to approximately RMB341.4 million for the year ended 31 December 2022 from approximately RMB179.0 million for the year ended 31 December 2021 and net profit margin increased to approximately 14.0% for year ended 31 December 2022 from approximately 11.8% for the year ended 31 December 2021.

## Property, plant and equipment

Property, plant and equipment mainly consists of electronic equipment, leasehold improvements, and furniture and office equipment. Property, plant and equipment increased from approximately RMB54.7 million as of 31 December 2021 to approximately RMB90.5 million as of 31 December 2022, primarily due to leasehold improvements and the purchase of electronic equipment, office equipment and IoT equipment for our business operations.

## Investment properties

Our investment properties consist of car park spaces owned by our wholly-owned subsidiary Nanjing Ninggao International Property Consultancy Co., Ltd. ("**Nanjing Ninggao**") and commercial property owned by our non-wholly owned subsidiary Nanjing Xinmao Asset Management Co., Ltd. ("**Nanjing Xinmao**"). Our investment properties increased from approximately RMB9.4 million as of 31 December 2021 to approximately RMB94.2 million as of 31 December 2022 mainly due to (i) the lease of commercial property by Nanjing Xinmao, forming investment properties of approximately RMB85.8 million during the year, and (ii) the decreased fair value of the investment properties as the remaining term of the lease agreement of Nanjing Ninggao was shortened over a period of time.

## Right-of-use assets

Leases are recognized as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by us. Assets arising from a lease are initially measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The right-of-use asset is depreciated over the shorter of the estimated asset's useful life and the lease term on a straight-line basis. Our right-of-use assets decreased from approximately RMB32.5 million as of 31 December 2021 to approximately RMB28.3 million as of 31 December 2022, mainly due to the depreciation of the right-of-use assets.

## Intangible assets

Our intangible assets mainly comprise the contractual right of the acquiree and the software, information technology infrastructure and other smart management systems for properties under our management. Our intangible assets increased from approximately RMB6.4 million as of 31 December 2021 to approximately RMB91.7 million as of 31 December 2022 mainly due to the contractual right generated from the acquisition completed during the reporting period.

## Inventories

Our inventories mainly comprise consumables, spare parts and general merchandise. Our inventories amounted to approximately RMB4.4 million and RMB4.5 million as of 31 December 2022 and 31 December 2021, respectively, and the decrease was mainly due to the normal consumption of inventories.

## Trade receivables

Trade receivables comprise receivables from property management services, community space operation services and sales assistance services. We typically do not grant a credit term to individual customers for our property management services and customers for our community value-added services. We typically grant a credit term of 90 days to 180 days to property developers.

Our trade receivables from related parties are primarily related to value-added services to non-property owners, the gross carrying amount of which increased from approximately RMB281.1 million as of 31 December 2021 to approximately RMB401.6 million as of 31 December 2022 along with the increase in revenue from our value-added services to non-property owners. Our trade receivables from third parties are primarily related to property management fees, the gross carrying amount of which increased from approximately RMB139.2 million as of 31 December 2021 to approximately RMB393.2 million as of 31 December 2022. This was mainly attributable to an increase in our property management revenue as we expanded our business with an increase in our GFA under management during the year ended 31 December 2022.

## Prepayments, other receivables and other assets

Prepayments, other receivables and other assets mainly include (i) amounts due from related parties; (ii) prepayments primarily in relation to utility fees and lease payments; (iii) deposits placed for contract performance, tender and bidding process and leases; (iv) advances to employees; (v) payments on behalf of residents and tenants; and (vi) others.

We had prepayments, other receivables and other assets of approximately RMB270.0 million and approximately RMB612.7 million as of 31 December 2021 and 2022, respectively. Such increase was primarily attributable to the expansion in scale of real estate brokerage services, which resulted in the increase in the payment of performance guarantees.

## Trade payables

Trade payables primarily represent our obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. The increase in trade payables to third parties from approximately RMB166.5 million as of 31 December 2021 to approximately RMB451.5 million as of 31 December 2022 was primarily due to the expansion of our business, reflecting an increase in the procurement of security and cleaning services and facilities and equipment maintenance services. Trade payables to related parties were in relation to procurement of information technology services, dining services and other goods and services from related parties.

## Other payables and accruals

Other payables and accruals represent (i) amounts due to related parties; (ii) receipts on behalf of residents and tenants; (iii) deposits and temporary receipts primarily in relation to bidding and renovation; (iv) payroll and welfare payables; (v) other tax payables, and (vi) other payables relating to stored value cards that employees use in cafeterias. Our other payables and accruals amounted to approximately RMB664.3 million and approximately RMB629.8 million as of 31 December 2022 and 31 December 2021, respectively.

## Contingent liabilities

As of 31 December 2022, we did not have any outstanding guarantees or other material contingent liabilities.

## Pledge of assets

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

## Foreign currency risk

The Group's principal activities are conducted in the PRC. Except for certain net proceeds raised from the listing in March 2022, which are denominated in Hong Kong dollars, the Group is not exposed to any significant risk directly related to foreign exchange fluctuations. Taking into account the potential RMB exchange rate fluctuations, we will continue to monitor our foreign exchange exposure and take prudent measures to reduce our foreign exchange risk. For the year ended 31 December 2022, the Group did not use any financial instruments for hedging purposes.

## Capital commitment and capital expenditure

As at 31 December 2022, the Group did not have any material commitment.

The Group's capital expenditure for the year ended 31 December 2023 is expected to be funded mainly by proceeds from the Global Offering (as defined below) and working capital generated from the operating activities of the Group.

## Liquidity and capital resources, current assets and current ratio

In order to manage the Group's cash, maintain a sound liquidity and ensure that the Group is well positioned to take advantage of future growth opportunities, the Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. As at 31 December 2022, the Group did not have any outstanding borrowings (31 December 2021: nil).

As at 31 December 2022, the Group's cash and cash equivalents amounted to approximately RMB1,019.0 million (31 December 2021: RMB553.6 million). The increase was mainly attributable to the proceeds from the Global Offering (as defined below). The Group's net cash flows from operating activities decreased to approximately RMB154.1 million for the year ended 31 December 2022 from approximately RMB347.4 million for the year ended 31 December 2021. The management believes that the Group has sufficient financial resources and future revenue to support the current working capital requirement and future expansion of the Group.

As at 31 December 2022, the Group's current assets amounted to approximately RMB2,442.3 million, representing an increase of approximately 95.6% as compared with approximately RMB1,248.7 million as at 31 December 2021. Current ratio as at 31 December 2022 was approximately 1.59 times, representing an increase as compared with 1.11 times as at 31 December 2021.

## Use of proceeds from the Global Offering

The Company was listed on the Main Board of the Stock Exchange on 10 March 2022 (the"**Listing Date**") (the "**Listing**") by way of global offering of ordinary shares of the Company, including a public offering in Hong Kong of 10,142,000 shares and an international offering of 91,269,500 shares, in each case at a price of HK$8.14 per share (collectively the "**Global Offering**"). On 1 April 2022, the international underwriters of the Global Offering partially exercised the over-allotment option, as a result of which an aggregate of 2,777,500 shares were issued and allotted by the Company at HK$8.14 per share. After deducting the underwriting fees and relevant expenses, net proceeds from the Global Offering (including the number of shares issued and allotted pursuant to the partial exercise of over-allotment options) amounted to approximately HK$781.9 million. Such proceeds have been and will continue to be applied in the manner consistent with that in the prospectus of the Company dated 25 February 2022 (the "**Prospectus**"):

| Usage | % of total net proceeds | Planned allocation of net proceeds HK$ million (approximately) | Utilized net proceeds up to the date of this report HK$ million (approximately) | Unutilized net proceeds up to the date of this report HK$ million (approximately) | Expected timeline for full utilization of the balance |
|---|---|---|---|---|---|
| (A) Pursue selective strategic investment and acquisition opportunities with companies engaged in property management, city operation services and/or community operations and to expand our business scale and solidify our leading industry position, including: | | | | | |
| (i) Acquire, invest in or cooperate with other property management companies and professional service providers in the upstream and downstream of city operation services which are suitable for and complementary to our business operations and strategies; and | 50% | 391.0 | 391.0[1] | – | Fully utilized[2] |
| (ii) Acquire or invest in companies which provide community products and services complementary to those of ours. | 5% | 39.1 | – | 39.1 | By the end of 2024 |
| (B) Upgrade our systems for smart management services and for the development of our smart communities and smart city solutions, aiming to offer a higher-quality living experience with more convenience for our property owners and residents and further enhance cost efficiency for our property management and city operation services. | 22% | 172.0 | 14.3 | 157.7 | By the end of 2024 |
| (C) Develop our community value-added services in an effort to diversify our service offering and enhance profitability. | 13% | 101.6 | 78.1 | 23.5 | By the end of 2024 |
| (D) Working capital and general corporate purpose. | 10% | 78.2 | – | 78.2 | By the end of 2024 |

The unutilized net proceeds are currently held in bank deposits and will continue to be applied in the manner consistent with the proposed allocations in the Prospectus. For further information, please refer to the section headed "Future Plans and Use of Proceeds" in the Prospectus. As at the date of this report, there has been no material change in the actual use of the net proceeds from the intended use.

*Note 1:* Equivalent to RMB315 million.

*Note 2:* The amount was fully utilized for the acquisition of 100% equity interests in Beijing Capital Services during the year as detailed in the section headed "SIGNIFICANT INVESTMENTS, ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES".

## EMPLOYEES AND REMUNERATION POLICIES AND EMPLOYEE DIVERSITY

As of 31 December 2022, the Group had 2,614 full-time employees (as of 31 December 2021: 2,658 full-time employees). We recognize the importance of gender diversity. In terms of recruitment, we do not treat people differently due to their differences in social status such as gender, sexual orientation and marital status, and ensure that the recruitment process is fair, objective and open and we will continue to step up measures to promote and strengthen gender diversity at all levels of the Company. The following table sets forth the gender ratio of the Group's employees as at the date of this annual report:

| | Female | Male |
|---|---|---|
| Manager | 28.94% (90) | 71.06% (221) |
| Overall workforce | 37.26% (974) | 62.74% (1,640) |

During the reporting period, the Board was not aware of any mitigating factors or circumstances that made achieving gender diversity for all employees, including senior management, more challenging or less relevant. Further details on the gender ratio of the Group together with relevant data can be found in the Environmental, Social and Governance Report of the Company.

The total staff costs for the year ended 31 December 2022 were approximately RMB0.5 billion (2021: approximately RMB0.4 billion).

The Group determines and regularly reviews the remuneration and benefits of its employees according to the Group's profitability, market practice and the relevant employee's performance. The Group has deepened the reform of the human resource system and explored the possibility of establishing remuneration systems for high-quality personnel and corporate executives that are compatible with competitive selection and recruitment. The Group has implemented various types of motivation plan for different levels of employees with reference to employee performance and contributions. According to the relevant regulations, the Group is required to pay social insurance and housing fund on behalf of its employees.

The Group places a strong emphasis on recruiting high-quality personnel and provides employees with constant training programmes and career development opportunities. The Company has formulated relevant systems such as "Employee Training Management Standards", and established a multi-dimensional training system for employees in diverse business areas at varying development stages with characteristics of different job positions, encouraging multi-channel development of employees and committed to the development of talent pool. In 2022, a total of 2,614 employees received trainings, with the coverage rate of employee trainings of 100%, which ensured the general employees' ability to perform their duties and increased the management level of management cadres at all levels, thus providing timely and effective support for the Company's business development.

The Company will continue to improve the talent management system, offer talent support and mechanism guarantee for the Company's innovation and transformation, and provide our employees with comprehensive career development channels and broad development potential for their growth in an effort to achieve enhancement in both corporate value and employee value.

# DIRECTORS AND SENIOR MANAGEMENT

## Directors

### Mr. Jiang Nan

**Mr. Jiang Nan**, born in April 1973, is a non-executive Director and the chairman of the Board. He was appointed as a non-executive Director in August 2021. He is mainly responsible for formulation of business strategies and providing guidance for the overall development of our Group.

Mr. Jiang Nan graduated with a bachelor's degree in finance from China Institute of Finance (中國金融學院) (now known as School of Banking and Finance of the University of International Business and Economics (對外經濟貿易大學金融學院)) in 1995. He then obtained a master's degree in finance from Central University of Finance and Economics in 2003. He obtained the Accounting Qualification Certificate from the Ministry of Personnel of the PRC in May 1999, and has been an affiliated member and an associate member of the Association of International Accountants in September 2008 and May 2020, respectively.

Mr. Jiang Nan joined Sinochem Group in August 1995, and worked in the finance department of Sinochem Group Co., Ltd. from 1995 to 2002. He was the treasurer of Sinochem Hong Kong (Group) Company Limited (“**Sinochem Hongkong**”) from August 2002 to January 2006, responsible for handling the financial management and investment projects and operation of the overseas funds of Sinochem Group Co., Ltd..

Mr. Jiang Nan joined China Jinmao in January 2006 as the chief financial officer. Mr. Jiang Nan served as an executive director of China Jinmao from 2007 to 2011, and has since August 2015 been re-appointed as an executive director of China Jinmao. He was responsible for the accounting and finance, budget assessment, capital market and investor relations of China Jinmao. He has also been concurrently serving as the chairman of Jinmao Capital Holdings Limited and a non-executive director of Jinmao (China) Hotel Investments and Management Limited, a company whose share stapled units were listed on the Stock Exchange prior to its privatization in October 2020 with the stock code before delisting of 6139.

## Mr. Xie Wei

**Mr. Xie Wei**, born in March 1974, is an executive Director and the chief executive officer of our Company. He was appointed as an executive Director in August 2021. He is mainly responsible for the daily operations, formulation of the overall strategy, business planning and operation decisions of our Group.

Mr. Xie Wei graduated with an Executive Master of Business Administration (EMBA) from Nankai University (南開大學) in Tianjin, the PRC in December 2012.

Prior to joining our Group and Jinmao Group, from 2001 to 2015, he was a chairman of the board and CEO of Beijing Vanke Real Estate Management Co., Ltd. (北京萬科物業管理有限公司), a real estate service provider in the PRC. Mr. Xie Wei joined Jinmao Group in July 2015 and served as a vice president of China Jinmao from October 2015 to March 2022 where he was responsible for customer relations and property management business. He has concurrently served as a director and the chairman of Jinmao PM since October 2015 and the general manager of Jinmao PM since November 2016, where he is responsible for the overall operation and management of property management business. He was appointed as a director of Jinmao (Shanghai) Property Management Co., Ltd. in April 2021.

Mr. Xie Wei has been serving as the vice chairman of the Beijing Property Management Association (北京物業管理行業協會) since 2008, and the executive director of China Property Management Institute (中國物業管理協會) since April 2011 and then its deputy secretary-general since April 2016.

## Ms. He Yamin

**Ms. He Yamin** (with the former name of He Liyuan (賀麗媛)), born in March 1972, is a non-executive Director. She was appointed as a non-executive Director in August 2021. She is mainly responsible for formulation of business strategies and providing guidance for the overall development of our Group.

Ms. He Yamin obtained a bachelor's degree in education majoring in political education from Beijing Normal University (北京師範大學) in Beijing, the PRC in July 1994. She then completed a postgraduate program in applied psychology also in Beijing Normal University in October 2005.

Prior to joining our Group and Jinmao Group, Ms. He Yamin worked in the Chinese People's Liberation Army from September 1994 to July 1995, in the management bureau of the general staff department. From August 1995 to August 1996, she worked in Hong Kong Wanguo Trade City Company (香港萬國商貿城公司). From September 1996 to September 1997, she worked in Beijing Personal Data Assistant Electronics Group (北京小秘書電子集團). From September 1997 to February 2005, she worked in Lenovo Group Ltd., a multinational technology company whose shares are listed on the Stock Exchange with the stock code of 992, in the human resources department. From February 2005 to December 2010, she worked in the human resources department of the Sinochem Group.

Ms. He Yamin joined Jinmao Group in December 2010 and has successively held the posts of general manager of the human resources department, human resources director and general manager of the human resources center. Ms. He Yamin was appointed as a director of Jinmao PM in February 2013.

## Ms. Qiao Xiaojie

**Ms. Qiao Xiaojie** (with the former Chinese name of 喬曉杰), born in October 1973, is a non-executive Director. She was appointed as a non-executive Director in August 2021. She is mainly responsible for formulation of business strategies and providing guidance for the overall development of our Group.

Ms. Qiao Xiaojie obtained a bachelor's degree in accounting from North China University of Technology (北方工業大學) in Beijing, the PRC in July 1995. She then obtained a master's degree in accounting from Central University of Finance and Economics in December 2006.

She obtained the senior accountant qualification from Beijing Senior Specialized Technique Qualification Evaluation Committee of the PRC in February 2007, and has been a member of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since May 1999 and a member of the Institute of Certified Management Accountants of the Institute of Management Accountants United States of America since September 2011.

Prior to joining our Group and China Jinmao, Ms. Qiao Xiaojie worked in Beijing Three Gorges Economic Development Group (北京三峽經濟開發集團) as the accounting head of the finance department, from July 1995 to August 1997. From August 1997 to February 2008, she held accounting head and deputy general manager positions in the finance department of China Resources Land (Beijing) Company Ltd. (華潤置地(北京)股份有限公司).

Ms. Qiao Xiaojie joined China Jinmao in February 2008, where she served as the general manager of the financial management department of China Jinmao up until January 2013. She then joined Sinochem Group in January 2013, where she served as the deputy general manager of the accounting management department from January 2013 to February 2014, the deputy general manager in charge of daily operations of the analysis and valuation department from February 2014 to May 2015, the general manager of the analysis and valuation department from May 2015 to December 2016 and the deputy director of the strategy implementation department from December 2016 to September 2017. She subsequently rejoined China Jinmao in September 2017, where she has been serving as the deputy financial controller of China Jinmao and concurrently served as the general manager of the financial capital center in May 2021.

## Ms. Zhou Liye

**Ms. Zhou Liye**, born in February 1974, is an executive Director and the chief financial officer of our Company. She was appointed as an executive Director in August 2021. She is mainly responsible for the overall financial and cost management, tax planning and capital market-related matters of our Group.

Ms. Zhou Liye obtained a post-graduate master's degree in accounting from Central University of Finance and Economics (中央財經大學) in Beijing, the PRC in March 2001. She then obtained a post-graduate doctoral degree in accounting also from Central University of Finance and Economics in June 2008. She has been a member (and currently a non-practicing member) of The Chinese Institute of Certified Public Accountants (中國註冊會計師協會) since August 2002, and obtained the senior accountant qualification from the Beijing Advanced Professional and Technical Qualification Evaluation Committee (北京市高級專業技術資格評審委員會) in February 2008.

From April 2001 to October 2006, Ms. Zhou Liye worked in Sinochem Fertilizer Company Limited (中化化肥有限公司), a company principally engaged in fertilizer production and trading in the PRC, in the finance department. From November 2006 to February 2008, she worked in Sinochem Group in the accounting management department.

Ms. Zhou Liye joined Jinmao Group in April 2008. From April 2008 to September 2016, she successively served in the capital market department of China Jinmao as deputy general manager, general manager and capital market director. From September 2016 to May 2021, she successively served as general manager of JM Capital (金茂資本, a subsidiary of China Jinmao), deputy general manager of Jinmao Capital Holdings Limited (金茂資本控股有限公司) and general manager of Jinmao Assets (金茂資產, a subsidiary of China Jinmao). Ms. Zhou Liye joined our Group in May 2021 as the financial controller of Jinmao PM.

## Dr. Chen Jieping

**Dr. Chen Jieping**, born in August 1953, is an independent non-executive Director and his appointment took effect from the Listing Date. He is mainly responsible for providing independent advice on the operation and management of our Group.

Dr. Chen Jieping obtained a bachelor of science majoring in hotel and restaurant management and a master of hospitality management from the University of Houston in Texas, the United States in August 1990. He then obtained a master of business administration and a doctoral degree in business administration also from the University of Houston in May 1992 and August 1995, respectively.

Dr. Chen Jieping has over 20 years of experience in accounting. From September 1995 to August 2008, he was a faculty member of the Department of Accountancy at the City University of Hong Kong, and between November 2005 and August 2008 served as the Head of the department. He was a professor of accounting at China Europe International Business School from August 2008 to December 2018 and is currently an emeritus professor.

Dr. Chen Jieping has served as an independent non-executive director in Huafa Property Services Group Company Limited (a company listed on the Stock Exchange with the stock code of 982) and Saurer Intelligent Technology Co. Ltd. (a company listed on the Shanghai Stock Exchange with the stock code of 600545), since July 2014 and September 2017, respectively. He has also served as an independent director of Milkyway Chemical Supply Chain Service Co., Ltd. (密爾克衛化工供應鏈服務股份有限公司, a company listed on the Shanghai Stock Exchange with the stock code of 603713) since 24 September 2021. He also served as an independent non-executive director in each of Shenzhen Worldunion Properties Consultancy Incorporated (a company listed on the Shenzhen Stock Exchange with the stock code of 2285) from September 2013 to October 2019, Xinjiang La Chapelle Fashion Co., Ltd. (formerly known as Shanghai La Chapelle Fashion Co., Ltd., a company listed on the Stock Exchange with the stock code of 6116 and on the Shanghai Stock Exchange with the stock code of 603157) from April 2016 to October 2019, and Jinmao (China) Hotel Investments and Management Limited (a company whose share stapled units were listed on the Stock Exchange prior to its privatization in October 2020 with the stock code before delisting of 6139) from March 2014 to October 2020.

## Dr. Han Jian

**Dr. Han Jian**, born in September 1972, is an independent non-executive Director and her appointment took effect from the Listing Date. She is mainly responsible for providing independent advice on the operation and management of our Group.

Dr. Han Jian obtained a bachelor's degree in English language and literature from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1995. She then obtained the degree of doctor of philosophy majoring in human resources management from the School of Industrial and Labor Relations of Cornell University in New York State, the United States in January 2005.

Dr. Han Jian has been a Professor of Management at China Europe International Business School since 2008. Dr. Han Jian served as an external director of Shenzhen Jiang & Associates Creative Design Co., Ltd. (深圳市傑恩創意設計股份有限公司, a company listed on the Shenzhen Stock Exchange with the stock code of 300668) from June 2015 to June 2018. She has been an independent director of Midea Group Co., Ltd. (美的集團股份有限公司, a company listed on the Shenzhen Stock Exchange with the stock code of 000333), since September 2018. She has also served as an independent director of Changzhou Xingyu Automotive Lighting System Co., Ltd. (常州星宇車燈股份有限公司, a company listed on the Shanghai Stock Exchange with the stock code of 601799) since April 2022. She has also been serving as an independent director of Dada Group Limited (a company listed on Nasdaq in the United States of America, stock code: DADA) since August 2022.

## Mr. Sincere Wong

**Mr. Sincere Wong**, born in July 1964, is an independent non-executive Director and his appointment took effect from the Listing Date. He is mainly responsible for providing independent advice on the operation and management of our Group.

Mr. Sincere Wong received his bachelor's degree in social science from The Chinese University of Hong Kong in December 1986. He passed the Common Professional Examination at Wolverhampton Polytechnic (now known as University of Wolverhampton) in the United Kingdom in July 1990, and the Solicitors' Final Examination of the Law Society of England and Wales with first class honours in October 1991. He was then admitted as a solicitor of the High Court of Hong Kong in October 1993 and a solicitor of the Supreme Court of England & Wales in February 1994. Mr. Sincere Wong was qualified as a lawyer in the Guangdong-Hong Kong-Macao Greater Bay Area in September 2022.

From September 1996 to January 2005, Mr. Sincere Wong served as an in-house legal counsel of Hutchison Whampoa Group (和記黃埔集團), a multinational conglomerate engaging mainly in ports and related services, property and hotels, retail, infrastructure, energy and telecommunications, where he was involved in cross-border acquisitions and day-to-day commercial transactions of a container terminal operator. From February 2005 to November 2006, he served as an in-house legal counsel of China Resources Enterprise, Limited (now known as China Resources Beer (Holdings) Company Limited, whose shares are listed on the Stock Exchange with the stock code of 291 and whose business focus is on the manufacturing, sales and distribution of beer products). From November 2006 to June 2010, he served as the chief legal officer of Shui On Construction and Materials Limited (now known as SOCAM Development Limited, whose shares are listed on the Stock Exchange with the stock code of 983 and whose business focus is on construction and property businesses in the PRC, Hong Kong and Macau). From July 2010 to May 2011, he served as the vice president of the legal department and company secretary of Sateri Holdings Limited (a global specialty cellulose producer subsequently renamed as Bracell Limited, whose shares were listed on the Stock Exchange with the stock code of 1768 prior to its privatization and delisting in October 2016).

From August 2011 to April 2016, he worked at the Listing Department of Hong Kong Exchanges and Clearing Limited, and he served as a vice president at the time of his departure, primarily responsible for reviewing IPO applications and making recommendations to the Listing Committee. In May 2016, he became the founding partner of Wong Heung Sum & Lawyers (黃香沈律師事務所) (formerly known as Sincere Wong & Co. (黃誠思律師事務所)). Mr. Sincere Wong has served as an independent non-executive director of Bank of Gansu Co., Ltd (a company listed on the Stock Exchange with the stock code of 2139), U Banquet Group Holding Limited (now known as Net-a-Go Technology Company Limited, a company listed on the Stock Exchange with the stock code of 1483) and Fulu Holdings Limited (a company listed on the Stock Exchange with the stock code of 2101), since August 2017, September 2018, and August 2020, respectively. From January 2019 to March 2020, he also served as a non-executive director of MOS House Group Limited (a retailer and supplier of overseas manufactured tiles in Hong Kong and Macau, whose shares are listed on the Stock Exchange with the stock code of 1653).

## Senior Management

### Senior Management

**Mr. Wang Yongli**, born in June 1963, has been a deputy general manager of Jinmao PM since May 2015 and a vice president of our Company since August 2021. He is primarily responsible for the engineering management, the health, safety and environment management, and smart community of our Group.

Mr. Wang Yongli graduated from Beijing Finance Management Cadre School (北京財經管理幹部學校) in Beijing, the PRC in July 2005, majoring in corporate management.

Prior to joining our Group, Mr. Wang Yongli worked in Beijing Xiangshan Hotel (北京香山飯店), as the manager of the front office department, from March 1979 to November 2000. From November 2000 to November 2001, he served as the deputy general manager of Haihang Hotel (海航賓館) under Huahai Real Estate Development Company (華海房地產開發有限公司), where he was responsible for the management of the daily operations of Haihang Hotel.

Mr. Wang Yongli joined our Group in February 2003, where he held various positions in Jinmao PM such as project manager, director of the client relations department and deputy general manager, prior to his promotion to his current position.

**Mr. Li Yulong**, born in September 1986, has been a deputy general manager of Jinmao PM since May 2016 and a vice president of our Company since August 2021. He is primarily responsible for the innovative customer research, strategic operations, basic property management and technology development.

Mr. Li Yulong graduated with bachelor's degrees in agriculture and forestry economic management and computer science and technology from Shanxi Agricultural University (山西農業大學) in Shanxi, the PRC in June 2009 and July 2009, respectively. He then obtained a post-graduate master of business administration from Peking University (北京大學) in Beijing, the PRC in July 2021. He obtained the intermediate business management economist qualification from Beijing Municipal Human Resources and Social Security Bureau of the PRC (北京市人力資源和社會保障局) in November 2014. Prior to joining our Group, Mr. Li Yulong served as the director of the cooperation and development department of Beijing Vanke Real Estate Service Co., Ltd. (北京萬科物業服務有限公司), a property management company in the PRC, from July 2009 to May 2016, where he was responsible for market expansion, investment mergers and acquisitions and equity cooperation.

Mr. Li Yulong joined our Group in May 2016, and has been serving in his current position in Jinmao PM since.

**Mr. Wei Dong**, born in December 1968, has been a deputy general manager of Jinmao PM since May 2017 and a vice president of our Company since August 2021. He is primarily responsible for the administrative affairs management of our Group.

Mr. Wei Dong graduated with a diploma in economics and trade from the Party School of Beijing Municipal Committee of the Chinese Communist Party (中共北京市委黨校) in Beijing, the PRC in July 1999. He then completed a training program in business management from Capital University of Economics and Business (首都經濟貿易大學) in Beijing, the PRC in August 2006.

Prior to joining our Group, Mr. Wei Dong worked in The Great Wall Sheraton Hotel Beijing (北京喜來登長城飯店), as the assistant manager of the housekeeping department, from September 1987 to December 2002. From December 2002 to June 2006, he worked in Scitech Hotel (賽特飯店), as the manager of the housekeeping department.

From August 2006 to August 2011, he served as the operations director of Wangfujing Hotel Management Co., Ltd. (王府井飯店管理有限公司), a hospitality company in the PRC. From August 2011 to August 2013, he worked in Beijing Eastern Garden International Conference Co., Ltd. (北京怡生園國際會議中心有限公司), a subsidiary of Sinochem Group engaged in the operation of the accommodation and other facilities within Eastern Garden, a hotel and conference center, as the manager of the room division department.

Mr. Wei Dong joined our Group in August 2013, where he successively served as the assistant to the general manager and deputy general manager in Jinmao PM taking charge of health, safety and environment management and smart community management, prior to his promotion to his current position.

**Mr. Cai Yun**, born in August 1978, has been a deputy general manager of Jinmao PM since January 2020 and a vice president of our Company since August 2021. He is primarily responsible for the operation and management of the business of our Group in Shanghai, Nanjing and Changsha regions and office building business management.

Mr. Cai Yun graduated with a bachelor's degree in modern building electronics (現代建築電氣) from Shanghai University of Engineering Science (上海工程技術大學) in Shanghai, the PRC in July 2001. He then obtained a postgraduate master of business administration from Shanghai International Studies University (上海外國語大學) in Shanghai, the PRC in June 2017.

Prior to joining our Group, from August 2001 to April 2003, Mr. Cai Yun served as the deputy project manager of the project department of Cornell Properties Services (Shanghai) Co., Ltd. (港力物業管理(上海)有限公司), a property management company in the PRC, where he assisted the project manager in the operation and management of property management projects. From April 2003 to May 2004, he served as the deputy project manager of the project department of Shanghai Lianyang Gangli Property Management Co., Ltd. (上海聯洋港力物業管理有限公司), a property management company in the PRC, where he was responsible for the operation and management of property management projects. From May 2004 to May 2005, he served as the project officer of the engineering department of Hutchison Estate Service & Agency (Shanghai) Limited (和記物業服務(上海)有限公司) (now known as Cayley Property Management (Shanghai) Co., Ltd. (家利物業管理(上海)有限公司)), a property management company in the PRC, where he was responsible for the engineering management of properties. From May 2005 to May 2006, he served as the deputy project manager of the engineering department of Shanghai Shimao Real Estate Co., Ltd. (上海世茂房地產有限公司), a real estate company in the PRC, where he was responsible for the management of the engineering business segment of the company. From May 2006 to November 2006, he worked in Savills Property Services (Shanghai) Company Limited (第一太平戴維斯物業顧問(上海)有限公司), an integrated property services provider in the PRC, as the engineering manager.

From November 2006 to June 2010, he worked in Shanghai China Merchants Property Management Co., Ltd. (上海招商局物業管理有限公司), a property management company in the PRC, as the engineering manager of the quality management department. From August 2010 to June 2013, he worked in Cheung Kong Holdings (Shanghai) Enterprises Management Company Limited (長江實業(上海)企業管理有限公司), a property management and consultancy company in the PRC, as the engineering manager of the property department. From June 2013 to December 2016, he served as the assistant general manager of Shanghai Vanke Real Estate Service Co., Ltd. (上海萬科物業服務有限公司), a property management company and property services provider in the PRC, as well as the general manager of the commercial and office management centre where he was responsible for the operation and management of the non-residential business.

Mr. Cai Yun joined our Group in December 2016, where he held various positions in Jinmao PM such as regional general manager being responsible for the overall operation and management of the Shanghai region, and assistant to general manager and deputy general manager being responsible for the operation and management of business in the Shanghai, Nanjing and Changsha regions, prior to his promotion to his current position. Since April 2021, he has also served as a director of Jinmao (Shanghai) Property Management Co., Ltd. where he is responsible for its overall operation and management.

**Mr. Zhan Yu**, born in September 1982, has been a deputy general manager of Jinmao PM since March 2021 and a vice president of our Company since August 2021. He is primarily responsible for the investment and market development of our Group.

Mr. Zhan Yu graduated with a bachelor's degree in law from North China University of Technology in January 2004. He then obtained a post-graduate master's degree in economic law from Beijing Jiaotong University (北京交通大學) in Beijing, the PRC in July 2007. Prior to joining our Group, Mr. Zhan Yu worked in Shanxi Securities Co., Ltd. (山西證券股份有限公司), a securities company in the PRC whose shares are listed on the Shenzhen Stock Exchange with the stock code of 002500, in the office of the board of directors, from July 2007 to May 2012, where he was responsible for pushing forward the company's listing and its corporate governance. From May 2012 to April 2016, he worked as the general manager of the investment department in Shanzheng Investment Co., Ltd. (山證投資有限責任公司), a company engaging in investment and asset management in the PRC, where he was responsible for equity investment and fund management. From April 2016 to September 2019, he held executive director and investment director positions of CMIG Futurelife Holdings Group Company Limited (中民未來控股集團有限公司), a community value-added service provider and resource integrator in the property management industry which is subordinate to China Minsheng Investment Group in the PRC, where he was responsible for investment mergers and acquisitions of property companies and community value-added project investment. From September 2019 to March 2021, he worked in Sichuan Languang Justbon Services Group Co., Ltd. (四川藍光嘉寶服務集團股份有限公司), a property management service provider in the PRC whose shares are listed on the Stock Exchange with the stock code of 2606, as the general manager of the investment development centre, where he was responsible for investment mergers and acquisitions of property companies and market expansion.

Mr. Zhan Yu joined our Group in March 2021, and has been serving in his current position in Jinmao PM since.

**Ms. Zhao Meihua**, born in December 1978, has been the assistant to the general manager of Jinmao PM since June 2015 and an assistant to president of our Company since August 2021. She is primarily responsible for the human resource management of our Group, as well as the operation and management of the business of our Group in Beijing, Qingdao, Chongqing, Guangzhou and Fuzhou regions.

Ms. Zhao Meihua obtained a bachelor's degree in economics, majoring in corporate management from Renmin University of China (中國人民大學) in Beijing, the PRC in July 1999. She then obtained a post-graduate master's degree in management also from Renmin University of China in January 2010. She obtained the intermediate human resources management economist qualification from Beijing Municipal Human Resources and Social Security Bureau of the PRC in November 2010, and the level 1 corporate human resource management qualification and the level 1 corporate trainer qualification from Vocational Skills Appraisal Centre of Human Resources and Social Security Bureau of the PRC (人力資源和社會保障部職業技能鑑定中心) in March 2011 and December 2013, respectively. She also obtained the senior economist qualification from Sinochem Holdings Corporation Ltd. Professional and Technical Position Qualification Evaluation Committee of the PRC in March 2022.

Prior to joining our Group and Jinmao Group, from July 1999 to July 2002, she worked in Beijing Yanlong Consulting Co., Ltd. (北京彥隆諮詢有限責任公司), an information and corporate management consultancy and talent development company in the PRC, as the administration and human resources manager of the administration department. From July 2002 to October 2004, she served as an assistant consultant in Guangzhou Zhiren Consulting Service Co., Ltd., Beijing Branch (廣州市智仁諮詢服務有限公司), a corporate management and human resources consultancy company in the PRC, where she was responsible for human resources consultancy. From November 2004 to September 2005, she worked in Jinyindao (Beijing) Network Technology Co., Ltd. (金銀島(北京)網路科技股份有限公司), an e-commerce company in the PRC, as the manager of human resources department. From October 2005 to December 2006, she worked in Wangfujing Hotel Management Co., Ltd., as the assistant to the manager of the human resources department. From December 2006 to March 2008, she worked in Xinda Huawang Communication Technology Co., Ltd. (先達華網通信技術有限公司), as the manager of the human resources department. In April 2008, she rejoined Wangfujing Hotel Management Co., Ltd., as the director of the human resources department, up until February 2013.

Ms. Zhao Meihua joined Jinmao Group in February 2013, where she served as the senior manager of the human resources department of China Jinmao up until June 2015. She then joined our Group in June 2015, and has been serving in her current position in Jinmao PM since.

**Mr. Yang Hexing**, born in December, 1979, has been the vice president of the Company since March 2022. He is primarily responsible for the operation and management of the Group's community value-added business.

Mr. Yang Hexing graduated from Xidian University (西安電子科技大學) in Xi'an, China in July 2001 with a bachelor's degree in industrial automation. Later, he obtained a master's degree in Business Administration from Beijing Institute of Technology (北京理工大學) in July 2011.

Prior to joining our Group, from September 2004 to December 2015, Mr. Yang Hexing served as the director of the sales and commerce department of Lenovo (Beijing) Co., Ltd. (聯想(北京)有限公司), a diversified development group in China's information industry, responsible for the sales management of Lenovo's northern and western regions, the order center management in China and the operation management of e-commerce strategic projects. From December 2015 to December 2018, he served as the general manager of the home decoration, home repair and cleaning service department of Lianjia Ziru Life Service Co., Ltd. (鏈家自如生活服務有限公司), a Chinese housing brokerage service management company, responsible for the operation and management of decoration configuration, maintenance, cleaning and other life service businesses. From February 2019 to February 2022, he served as the general manager of home community life service department in Longfor Smart Service Group Co., Ltd. (龍湖智慧服務集團有限公司), a Chinese property management service provider, responsible for the operation and management of platform services for interior decoration business.

## COMPANY SECRETARY

**Ms. Ho Wing Tsz Wendy** is the company secretary of our Company and her appointment took effect from the Listing Date. She is also an executive director of corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

Ms. Ho Wing Tsz Wendy has over 25 years of experience in the corporate secretarial field and has been providing professional corporate services to Hong Kong listed companies as well as multinational, private and offshore companies. She is currently acting as the company secretary or joint company secretary of a few listed companies on the Stock Exchange.

Ms. Ho Wing Tsz Wendy is a Chartered Secretary, a Chartered Governance Professional and a fellow of both The Hong Kong Chartered Governance Institute ("**HKCGI**") and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators in the United Kingdom). She is a Council Member of HKCGI. She has obtained a master of business administration from The Hong Kong Polytechnic University in September 2019.

# CORPORATE GOVERNANCE REPORT

The Board is pleased to present the corporate governance report of the Company for the year ended 31 December 2022.

## CORPORATE GOVERNANCE PRACTICES

### Commitment to corporate governance

Since its establishment, the Company has been committed to enhancing the level of its corporate governance. The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**Corporate Governance Code**") as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code of corporate governance. The principles of the Company's corporate governance are to promote effective internal control measures and to enhance the transparency and accountability of the Board to all the shareholders. The Company will continue to improve its corporate governance practices, focusing on maintenance and enhancement of the management quality of the Board, internal control and high transparency to shareholders, so as to increase the confidence of shareholders in the Company. The Company believes that good corporate governance is crucial to maintaining its long-term healthy and sustainable development and is vital for the interests of its shareholders.

## COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Board has reviewed the Company's corporate governance practices and is satisfied that the Company has adopted and complied with the principles and code provisions as set out in the Corporate Governance Code since the Listing Date and up to 31 December 2022.

## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Director of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' dealings in the securities of the Company. The Company has made specific enquiry to all Directors and all Directors have confirmed that they have complied with the Model Code since the Listing Date and up to 31 December 2022.

The Company has also established written guidelines for securities transactions by employees who are likely to be in possession of inside information of the Company on terms no less exacting than the Model Code. No incident of non-compliance with such guidelines by relevant employees has been noted by the Company since the Listing Date and up to 31 December 2022.

### Corporate Culture

The Board has established the Group's purposes, values and strategies, which are, as believed by the Board, aligned with the Group's culture. All Directors must act with integrity, lead by example, and promote the desired culture. The Board should instil such culture into the Company and continually reinforces our Company's values of acting lawfully, ethically and responsibly.

A healthy corporate culture set up by the Group, including integrity and accountability, is vital for the Company to achieve its vision and mission towards sustainable growth. It is the Board's role to foster a corporate culture with core principles to guide the behaviours of its employees, and ensure that the Company's vision, values and business strategies are aligned to it.

## THE BOARD

The Board is accountable to the shareholders and is responsible for the Group's overall strategy, internal control and risk management system. In order to fulfil its responsibilities, the Board has established and adhered to explicit operating policies and procedures, reporting hierarchy and delegated authority. The management is authorised to handle the daily operations of the Group.

### Responsibilities of the Board

The Board is responsible for managing the overall business of the Company and overseeing the functions performed by the subordinate special committees, which mainly include:

- management and monitoring of the Group's assets, liabilities, revenues and expenditures as well as proposing changes in areas critical to the Group's performance;
- financial and operational performance – through overall strategic planning, the implementation and maintenance of the effective financial management system and the improvement of the performance-driven operational monitoring system;

- management of relationship with stakeholders of the Company – through frequent communication with partners, governments, customers and other parties who have legal interests in the business of the Company;

- risk management – continuous risk management through review of the reports from the Risk Management and Audit Department to identify, evaluate and appropriately manage the risks faced by the Company; and

- corporate governance – development and review of the Company's corporate governance policies and practices; review and monitoring of the training and continuous professional development of Directors and senior management; review and monitoring of the Company's policies and practices in relation to compliance with laws and regulatory requirements; formulation, review and monitoring of the code of conduct for employees and Directors; as well as review of the Company's compliance with the Corporate Governance Code and disclosure in the Corporate Governance Report.

## Board Diversity Policy

We have adopted the board diversity policy (the "**Board Diversity Policy**") which sets out the objective and approach to achieve and maintain diversity on our Board in order to enhance the effectiveness of our Board. The Board Diversity Policy provides that our Company should endeavour to ensure that our Board members have the appropriate balance of skills, experience and diversity of perspectives that are required to support the execution of our business strategies. Pursuant to the Board Diversity Policy, we seek to achieve Board diversity through the consideration of a number of factors, including but not limited to talent, skills, gender, age, cultural and educational background, ethnicity, professional experience, independence, knowledge and length of service. Our Remuneration and Nomination Committee reviews the Board Diversity Policy and its implementation from time to time to ensure its continued effectiveness and we will disclose in our corporate governance report about the implementation of the Board Diversity Policy on an annual basis.

Our Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. Our Directors have a balanced mix of experiences, including overall management and strategic development, business and risk management, and finance and accounting experiences. Our Board has a wide range of age, ranging from 48 to 69 years old. Furthermore, we recognize the particular importance of gender diversity and have set a goal of gender diversity. Out of our total eight Board members, four are female Directors and four are male Directors (representing 50% of our Board, respectively).

We have reached our goal of Board diversity, and we will continue to take steps to promote and enhance gender diversity at all levels of our Company, including but without limitation at our Board and senior management levels. After due consideration, our Board believes that based on the meritocracy of our Directors, the composition of our Board satisfies the Board Diversity Policy.

The composition of the Board is as follows:

### Executive Directors:

Mr. Xie Wei
Ms. Zhou Liye

### Non-executive Directors:

Mr. Jiang Nan *(Chairman)*
Ms. He Yamin
Ms. Qiao Xiaojie

### Independent Non-executive Directors:

Dr. Chen Jieping
Dr. Han Jian
Mr. Sincere Wong

## Nomination Policies and Procedures

The Company has put in place policies and procedures for the election of Directors, which provide guidance to the Board on nomination and appointment of Directors of the Company. In assessing the suitability and the potential contribution to the Board of a proposed candidate, the Remuneration and Nomination Committee may make reference to certain selection criteria, such as reputation for integrity, professional qualifications and skills, accomplishment and experience in the industry, commitment and relevant contribution, with the Company's Board Diversity Policy in mind, and take into account the strategic and commercial challenges and opportunities faced by the Company and the skills and expertise needed by the Company in the future. The Remuneration and Nomination Committee will report its findings and make recommendations to the Board on the appointment of appropriate candidate for directorship for decision and succession planning. The ultimate responsibility for selection and appointment of Directors rests with the entire Board.

## Supply of and Access to Information and Resource

The Board Independence Evaluation Mechanism sets out the principles and guidelines that the Company intends to ensure independent views and input are available to the Board. All Directors have timely access to all relevant information as well as the advice and services of the joint company secretaries and senior management of the Company, with a view to ensuring that Board procedures and all applicable laws and regulations are followed. Any Director may seek independent professional advice in appropriate circumstances at the Company's expenses, upon reasonable request made to the Board. The Company has arranged appropriate insurance to cover the liabilities of the Directors arising from corporate activities. The insurance coverage is reviewed on an annual basis. During the year ended 31 December 2022, the Board has reviewed the board independence mechanisms and considered that the implementation of the mechanisms was effective.

## Continuing Development

Directors shall keep abreast of the responsibilities as a Director and of the conduct, business activities and development of the Company.

Every newly appointed Director of the Company has received a comprehensive, formal and tailored induction on the first occasion of his appointment, and subsequently such briefing and professional development are also available as necessary, to ensure that he/she has a proper understanding of the operations and business of the Company and that he/she is fully aware of his/her responsibilities under statute and common law, the Listing Rules, applicable legal requirements and other regulatory requirements and the business and governance policies of the Company.

Pursuant to the applicable code provisions as set out in the Corporate Governance Code, all Directors should participate in continuous professional development to develop and refresh their knowledge and skills. This is to ensure that they are able to make informed and relevant contributions to the Board on an ongoing basis with comprehensive information and relevance required.

All the Directors have been updated with the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance and enhance their awareness of good corporate governance practices. In addition, continuing briefing and professional development to Directors will be arranged whenever necessary.

According to information provided by the Directors, records of training received by each Director during the year ended 31 December 2022 are summarized below:

| Directors | Types of Training |
|---|---|
| Mr. Jiang Nan | B,C |
| Mr. Xie Wei | A,C |
| Ms. Zhou Liye | A,C |
| Ms. He Yamin | B,C |
| Ms. Qiao Xiaojie | B,C |
| Dr. Chen Jieping | A,C |
| Dr. Han Jian | A,C |
| Mr. Sincere Wong | A,C |

*Notes:*

A. attending seminars and/or conferences and/or forums related to the property industry

B. attending seminars and/or conferences and/or forums related to the real estate industry

C. reading professional journals and updates relating to the economy, property management or Director's duties and responsibilities, etc.

## Board Meetings

The Company adopts the practice of holding Board meetings regularly, at least four times a year either in person or through electronic means of communication and at approximately quarterly intervals. Notices of not less than fourteen days are given for all regular Board meetings to provide all Directors with an opportunity to attend and include matters in the agenda for regular Board meetings.

For other Board meetings and Board committees meetings, reasonable notice is generally given. Minutes of meetings are kept by the Company with copies circulated to all Directors for information and records.

In 2022, the Board held a total of 6 Board meetings and 2 circulations of written resolutions. The matters considered and approved mainly included the 2021 annual report and the 2022 interim report of the Company, the Company's 2021 sustainable development report, the Company's 2022 budget and strategic planning, acquisition of new projects, change of the strategy and investment committee to strategy and ESG committee, submission of resolutions at the annual general meeting, revision of the Property Management Services Framework Agreement with China Jinmao, revision of the Property Management Services and Value-added Services Framework Agreement with Sinochem Holdings, entering into the Financial Services Framework Agreement with Sinochem Group Finance Co., Ltd. (中化集團財務有限責任公司) ("**Sinochem Finance**") and the plan on improvement of corporate governance and implementation of the Board's powers and responsibilities.

In addition, the Directors regularly review the relevant matters of corporate governance, including inquiring into the work reports and business plans of all departments of the Company's headquarters and member companies, review of the Company's compliance with the policies and practices on laws and regulatory requirements, training and continuous professional development of Directors and senior management, code of conduct for employees and Directors and the Company's compliance with the Corporate Governance Code. In 2022, meeting and resolution participation of each Director is set out below:

| Position | Name | Meeting attended in person | Meeting attendance rate | Total number of resolutions | Resolution participation rate |
|---|---|---|---|---|---|
| Non-executive Director | Jiang Nan | 6/6 | 100% | 8/8 | 100% |
| Non-executive Director | He Yamin | 6/6 | 100% | 8/8 | 100% |
| Non-executive Director | Qiao Xiaojie | 6/6 | 100% | 8/8 | 100% |
| Executive Director | Xie Wei | 6/6 | 100% | 8/8 | 100% |
| Executive Director | Zhou Liye | 6/6 | 100% | 8/8 | 100% |
| Independent non-executive Director | Chen Jieping | 6/6 | 100% | 8/8 | 100% |
| Independent non-executive Director | Han Jian | 6/6 | 100% | 8/8 | 100% |
| Independent non-executive Director | Sincere Wong | 6/6 | 100% | 8/8 | 100% |

The Directors are given sufficient information both at meetings and at regular intervals so that they can maintain effective control over strategic, financial, operational, compliance and corporate governance issues. They also have unrestricted access to independent professional advice and the advice and services from the Company Secretary to ensure compliance with all procedures of the Board. The Company keeps minutes of each meeting of the Board and the subordinate committees, which are available to all Directors for review at any time.

The Company continuously updates all Directors on the latest developments regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with the requirements by the Directors, and to maintain good corporate governance practices.

### Chairman and Chief Executive Officer

The Company fully supports the division of responsibility between the Chairman of the Board and the Chief Executive Officer to ensure a balance of power and authority. Their respective responsibilities are clearly defined. The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. The Chief Executive Officer focuses on implementing objectives, policies and strategies approved and delegated by the Board. As at the date of this report, the posts of Chairman and Chief Executive Officer of the Company were held by Mr. Jiang Nan and Mr. Xie Wei, respectively, and there is a clear division of power and responsibility between them.

### Independent Non-executive Directors

Since the Listing Date and up to the date of this report, the Board at all times met the requirements of Rules 3.10 and 3.10A of the Listing Rules relating to the appointment of at least three independent non-executive Directors representing no less than one-third of the Board with one of whom possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has received written confirmation from each of the independent non-executive Directors in respect of his/her independence in accordance with the independence guidelines set out in Rule 3.13 of the Listing Rules. The Company is of the view that all independent non-executive Directors are independent.

### Appointment and Re-election

The Board may from time to time appoint any person to be a Director either to fill a casual vacancy or as an additional Director. Any Director so appointed shall hold office only until the first annual general meeting of the Company after his/her appointment and shall then be eligible for re-election.

According to the article of association of the Company adopted on 18 February 2022, which has become effective on the Listing Date (the "**Articles of Association**"), at each annual general meeting one-third of the Directors for the time being, or, if their number is not a multiple of three, then the number nearest to but greater than one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years.

Each of the Directors (including the non-executive Directors) has entered into an appointment letter with the Company. The term of office of executive Directors and non-executive Directors shall be three years after the date of appointment by the Board, and the term of office of independent non-executive Directors shall be three years after the Listing Date. They are subject to retirement and re-election in accordance with the provisions of the Articles of Association as mentioned above.

## BOARD COMMITTEES

The Board has established the Audit Committee, the Remuneration and Nomination Committee and the Strategy and ESG Committee to oversee key aspects of its affairs.

In order to discharge their dedicated functions, each of our Board committees may seek professional advice if necessary and will be provided with sufficient resources at our cost.

The following lists out the membership and responsibilities of the Audit Committee, the Remuneration and Nomination Committee and the Strategy and ESG Committee.

### Audit Committee

The Board has established the Audit Committee with effect from the Listing Date.

#### Membership and Responsibilities

The Audit Committee currently consists of two independent non-executive Directors, Dr. Chen Jieping (chairman of the Audit Committee) and Mr. Sincere Wong, and one non-executive Director, Ms. Qiao Xiaojie. Dr. Chen Jieping possesses appropriate professional qualifications on accounting or related financial management expertise as required under Rules 3.10(2) and 3.21 of the Listing Rules. None of the Audit Committee members is a member of the previous or existing auditor of the Company.

The terms of reference of our Audit Committee set out its authority, responsibilities, membership and frequency of meetings, which are posted on the Company's website and the Stock Exchange's website and are in compliance with the Corporate Governance Code. The primary duties of the Audit Committee include, among others, (i) assisting the Board in ensuring that our Group has an effective financial reporting, risk management and internal control system in compliance with the Listing Rules; (ii) overseeing the integrity of the financial statements of our Group; (iii) selecting, and assessing the independence and qualifications of, our Company's external auditor; (iv) ensuring effective communication between our Directors and the internal and external auditors of our Company; (v) providing advice and comments to our Board; and (vi) performing other duties and responsibilities as may be assigned by the Board.

In 2022, the control reviews undertaken by the Audit Committee included the following:

— reviewed the integrity and accuracy of the 2021 annual report, the 2022 interim report and formal announcements relating to the Group's financial performance;

— reviewed the 2022 work report and 2023 work plans for internal audit and internal control of the Company, confirmed the effectiveness of the internal audit and internal control functions, and carried out profound communication and discussion on strengthening the capacity building of internal audit teams and enhancing the feedback skills of internal audit work; and

— reviewed the annual audit plan and other significant issues within the terms of reference of the Audit Committee for 2022.

The Audit Committee held three meetings in 2022. Meeting and resolution participation of each member is set out below:

| Position | Name | Meeting attended in person | Meeting attendance rate | Total number of resolutions | Resolution participation rate |
|---|---|---|---|---|---|
| Independent non-executive Director (Chairman of the Audit Committee) | Chen Jieping | 3/3 | 100% | 3/3 | 100% |
| Non-executive Director | Qiao Xiaojie | 3/3 | 100% | 3/3 | 100% |
| Independent non-executive Director | Sincere Wong | 3/3 | 100% | 3/3 | 100% |

The financial controller, the qualified accountant and the auditor of the Company attended all these meetings.

## Remuneration and Nomination Committee

The Board has established the Remuneration and Nomination Committee with effect from the Listing Date.

### Membership and Responsibilities

The Remuneration and Nomination Committee currently consists of two independent non-executive Directors, Dr. Han Jian (chairman of the Remuneration and Nomination Committee) and Dr. Chen Jieping, and one non-executive Director, Ms. He Yamin, which is in compliance with the requirements set out under Rules 3.25 and 3.27A of the Listing Rules.

The terms of reference of the Remuneration and Nomination Committee set out its authority, responsibilities, membership and frequency of meetings, which are posted on the Company's website and the Stock Exchange's website and are in compliance with the Corporate Governance Code. The primary duties of the Remuneration and Nomination Committee include, among others, (i) establishing, reviewing and providing advices to our Board on our policy and structure concerning remuneration of our Directors and senior management and on the establishment of a formal and transparent procedure for developing policies concerning such remuneration; (ii) determining the terms of the specific remuneration package of each Director and senior management; (iii) reviewing and approving performance-based remuneration by reference to corporate goals and objectives resolved by our Directors from time to time; (iv) reviewing and/or approving matters relating to share schemes under Chapter 17 of the Listing Rules; (v) reviewing the structure, size and composition of our Board on a regular basis and make recommendations to the Board regarding any proposed changes to the composition of our Board; (vi) identifying, selecting or making recommendations to our Board on the selection of individuals nominated for directorship, and ensure the diversity of our Board members; (vii) assessing the independence of our independent non-executive Directors; and (viii) making recommendations to our Board on relevant matters relating to the appointment, re-appointment and removal of our Directors and succession planning for our Directors.

The Remuneration and Nomination Committee performed its terms of reference, assessed the performance of the executive Directors and entered into 1 written resolution in respect of proposing candidates for senior management and the remuneration and submitting the resolution to the Board for approval in 2022. Resolution participation of each member is set out below:

| **Position** | **Name** | **Total number of resolutions** | **Resolution participation rate** |
|---|---|---|---|
| Independent non-executive Director (Chairman of the Remuneration and Nomination Committee) | Han Jian | 1/1 | 100% |
| Non-executive Director | He Yamin | 1/1 | 100% |
| Independent non-executive Director | Sincere Wong | 1/1 | 100% |

The remuneration of the senior management (excluding executive Directors), whose biographical details are included in section headed "Directors and Senior Management" of this report, during the year falls within the following bands:

| **Remuneration** | **Number of Individuals** |
|---|---|
| Above HK$1 million | 4 |
| Below HK$1 million | 3 |

Please refer to the sections headed "Corporate Governance Report – Nomination Policies and Procedures", "Directors' Report – Remuneration of Directors and Senior Management" and "Management Discussion and Analysis – Employees and Remuneration Policies and Employee Diversity" for details of the policies and procedures adopted for the nomination of Directors, the Directors' remuneration policies implemented by the Remuneration and Nomination Committee and employee diversity during the year.

### Strategy and ESG Committee

The Strategy and Investment Committee was changed to the Strategy and Environmental, Social and Governance Committee (the "**Strategy and ESG Committee**") by a resolution of the Board on 2 June 2022.

#### Membership and Responsibilities

The Strategy and ESG Committee currently consists of one non-executive Director, Mr. Jiang Nan (chairman of the Strategy and ESG Committee), one independent non-executive Director, Mr. Sincere Wong and two executive Directors, Mr. Xie Wei and Ms. Zhou Liye.

The primary duties of the Strategy and ESG Committee include: (i) formulating the Group's development strategies, formulating and regularly reviewing the Company's ESG vision, objectives, strategies and policies; (ii) considering investment projects involving the establishment, acquisition and disposal of property management companies and upstream and downstream businesses with substantial businesses; (iii) considering asset-heavy investment projects of value-added business; (iv) considering the matters in relation to the capital expenditure on technology systems regarding intelligent management, and matters with a single expenditure amounting to or exceeding RMB10 million; (v) studying major strategic cooperation projects; (vi) monitoring the Company's ESG risk management, material issues, target progress, and communication with stakeholders; (vii) reviewing the Company's annual ESG report for the Board's consideration, approval and disclosure; and (viii) performing other duties and responsibilities as assigned by the Board.

The Strategy and ESG Committee entered into 2 written resolutions and held one meeting in 2022, including consideration of authorisation applications for new business, establishment of new joint ventures, consideration of investment projects and other issues that fall within the terms of reference of the Strategy and ESG Committee. Meeting and resolution participation of each member is set out below:

| Position | Name | Meeting attended in person | Meeting attendance rate | Total number of resolutions | Resolution participation rate |
|---|---|---|---|---|---|
| Non-executive Director | Jiang Nan | 1/1 | 100% | 3/3 | 100% |
| Independent non-executive Director | Sincere Wong | 1/1 | 100% | 3/3 | 100% |
| Executive Director | Xie Wei | 1/1 | 100% | 3/3 | 100% |
| Executive Director | Zhou Liye | 1/1 | 100% | 3/3 | 100% |

## EXTERNAL AUDITOR AND AUDITOR'S REMUNERATION

Ernst & Young, Hong Kong, Certified Public Accountants, were engaged as the Company's external auditor for the year ended 31 December 2022. There had been no change in auditor of the Company in the past three years. External auditor may provide certain non-audit services to the Group as long as these services do not involve any management or decision making functions for and on behalf of the Group, or performing self-assessment or action as an advocacy role for the Group. Before any engagement with external auditor for non-audit services, external auditor must comply with the independence requirements under Code of Ethics for Professional Accountants issued by Hong Kong Institute of Certified Public Accountants. The statement of the independent auditor of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report of this report.

During the year ended 31 December 2022, the remunerations paid or payable to the accounting firm regarding the audit and non-audit services are set out as follows:

| | RMB'000 |
|---|---|
| Audit services | 2,450 |
| Non-audit services: | |
| Review and other services | 2,800 |
| Consulting services | 1,472 |
| Total | 6,722 |

## Anti-Money Laundering Policy

The anti-money laundering policy is in place to combat money laundering and terrorist financing activities, and formalise such procedures and systems. Compliance of the policy by internal control departments is monitored and administered by the Risk Management and Audit Department.

# INTERNAL CONTROL AND RISK MANAGEMENT

## Risk Management and Internal Control

The Company is of the view that effective risk management and internal control system are integral and indispensable to the Company's achievement of long-term business growth and sustainable development. Such systems are designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

In 2022, the Company continued to carry out efficient and independent internal control, optimize the governance environment, improve the control level, and promote the operation and management of the Company to meet the requirements of the Company's overall strategic objectives.

The Board has the overall responsibility for evaluating and determining the nature and extent of the risks it is willing to take in achieving the Company's strategic objectives, and establishing and maintaining appropriate and effective risk management and internal control systems. The Board acknowledges its responsibility for risk management and internal control systems and is responsible for reviewing the effectiveness of the Group's risk management and internal control systems.

The Audit Committee assists the Board in leading the management and overseeing their design, implementation and monitoring of the risk management and internal control systems.

## Risk Management Structure of the Company

The comprehensive risk management works are managed by the Company on a hierarchical basis and this framework includes the general manager of the Company, functional departments at the headquarters of the Company and its subordinate companies, and the risk control and audit department.

The general manager (the decision-making level) guides the Company's comprehensive risk management works and ensures that the Company establishes and maintains suitable and effective risk management and internal control systems. The general manager is held accountable for the effectiveness of the comprehensive risk management.

Functional departments at the headquarters of the Company and its subordinate companies (the implementation level) are responsible for the identification, evaluation, report analysis and handling work for comprehensive risk management, and responsible for pushing forward and implementing specific risk management measures as well as monitoring various risks of the business.

Risk control and audit department (the supervision level) is responsible for establishing a sound supervision and evaluation system of comprehensive risk management to facilitate supervision and evaluation.

The Company has in place comprehensive internal audit functions and, through its internal control department, conducts regular audits, including annual routine audit, off-office audit and special audit where the scope of audits covers all aspects including the implementation of the Group's internal regulations and procedures, finance, cost, tender and procurement, project quality, strategic operations and HSE management to prevent assets from inappropriate use. The Company also maintains proper accounts and ensures that relevant regulations are complied with. In 2022, the internal audit department of the Company carried out 2 economic duty audits, 2 special audits, 1 operational audit and 3 trainings.

## Internal Control

The Company has formulated a complete internal management system, which is revised and updated by each sub-line of functional departments at the headquarters, including 370 management systems and 738 record lists in 24 categories on administration, legal management, brand management, purchasing management, plan management, HSE management, system management, financial management, data management, party and mass administration, human resources management, early intervention management, early management, engineering management, environmental management, customer service management, order management, demonstration area management, club management, market management, business management, risk control management, corporate governance and innovation customer research. In 2022, a total of 123 new documents were added/revised, 243 records were added/revised and 34 appendices were added/revised.

In 2022, the Company revised the "Risk Management Measures"(《風險管理辦法》), which is used to identify, assess and manage significant risks, review the effectiveness of risk management and internal control systems, and resolve serious internal control deficiencies. Amendments were made on risk management responsibilities, terminology, methods and process control and appendices comprehensively, and added supporting documents, risk management cultural concepts and risk management execution forms. The risk identification subject was optimized to the project and management center, the responsibilities of each line and each unit was clarified, and each management level, each functional sector, and each business line of the Company should determine the key risks to be managed according to the actual situation of its own operation and management, while the key risks to be managed should be adjusted in a timely manner with changes in internal and external environments. Key risks to be managed include strategic risk, investment risk, financial risk, capital risk, credit risk, market risk, legal and compliance risk, HSE risk, customer satisfaction risk, service quality risk, labor and employment risk, asset management risk, engineering management risk, brand risk, information security risk and operational risk. In addition, the Company revised the "Regulations and Other Requirements and Compliance Evaluation Management Procedures" (《法規和其他要求及合規性評價管理程序》) to further clarify the concept of compliance evaluation and the necessary content of the compliance evaluation report, which requires the company-level compliance evaluation report shall include the following:

a) the circumstances under which administrative licenses have been obtained;

b) the overall situation for which laws, regulations and other requirements have been identified and obtained;

c) the transformation and implementation of laws, regulations and other requirements;

d) the compliance issues identified, cause analysis and rectification measures;

e) the tracking and verification of the last compliance evaluation issue;

f) assessments and conclusions, etc.

In particular, the Strategy and ESG Committee under the Board of Directors assisted in and supervised the development of the Company and the implementation of ESG work, and determined the major ESG management issues such as ESG-related risks and opportunities of the Company that had been assessed and identified; monitored ESG management risks, progress of key issues and targets, and communication with stakeholders, etc.; and continuously controlled and managed risks to improve the efficiency and standards of the Company's risk management.

The management has confirmed to the Board and the Audit Committee on the effectiveness and adequateness of the risk management and internal control systems for the year ended 31 December 2022.

The annual review is performed once a year by the Board and covers the risk management (including ESG risk) and internal control systems, the financial reporting and internal audit function and staff qualifications, experiences and relevant resources. The Board, as supported by the Audit Committee as well as the management report and the internal audit findings, reviewed the risk management and internal control systems, including the financial, operational and compliance controls, for the year ended 31 December 2022, and considered that such systems are effective and adequate.

## Inside Information

The Company has taken prudent measures in handling inside information, for which the Company has formulated effective confidentiality systems and measures, such as the formulation of the "Jinmao Services Inside Information Disclosure Management Standards" (《金茂服務內幕消息披露管理標準》), which provides that inside information shall be kept strictly confidential prior to public disclosure, among which the personnel who have access to inside information must ensure confidentiality of the information, and should not, in any manner, divulge the information of the Company to external parties without authorisation. Besides, consultants and intermediaries engaged by the Company shall enter into strict confidentiality agreements with the Company to ensure the inside information is properly handled. At the same time, any matters that constitute inside information must be reviewed and approved by the relevant Directors before the transactions can be effected and formally disclosed on the website of the Stock Exchange.

## DIVIDEND POLICY

The dividend policy incorporates the guidelines for the Board to determine whether to pay a dividend and the level of such dividend to be paid. In general, it is the policy of the Company to allow its shareholders to participate in the Company's profits whilst retaining adequate reserves for future growth.

Normally, the Company pays dividend once a year, which is final dividend. The Board may also declare special dividends in addition to such dividends as it considers appropriate. The policy also contains a number of factors for which the Board has to consider in determining the frequency, amount and form of any dividend in any financial year/period, including the actual and expected financial performance of the Group, the economic conditions and other internal or external factors, the Group's business strategies and operations, the current and future liquidity position and capital requirements, etc. The Board may also consider the issuance of bonus shares on a basis as permitted by the applicable laws and regulations. The recommendation of the payment of dividend is subject to the absolute discretion of the Board, and any declaration of final dividend for the year will be subject to the approval of the shareholders.

The Board will continue to review and amend the dividend policy as appropriate and from time to time.

## DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2022. The Directors are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern.

The statement of the independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditor's Report on pages 71 to 75.

## COMPANY SECRETARY

Ms. Ho Wing Tsz Wendy has been appointed as the Company's company secretary. Ms. Ho is an executive director of corporate services division of Tricor Services Limited, a global professional services provider specializing in integrated business, corporate and investor services.

All Directors have access to the advice and services of the company secretary on corporate governance and board practices and matters. Ms. Zhou Liye, the executive Director, has been designated as the primary contact person at the Company which would work and communicate with Ms. Ho on the Company's corporate governance and secretarial and administrative matters. Ms. Zhou Liye and Ms. Ho Wing Tsz Wendy also serve as our Company's authorized representatives for the purpose of Rule 3.05 of the Listing Rules to serve as the Company's principal channel of communication with the Stock Exchange.

For the year ended 31 December 2022, Ms. Ho has undertaken not less than 15 hours of relevant professional training respectively in compliance with Rule 3.29 of the Listing Rules.

## COMMUNICATION WITH SHAREHOLDERS/ INVESTOR RELATIONS

The Company believes that an efficient and transparent information disclosure mechanism can facilitate investors to understand the Group's business, trends and strategies in a timely and accurate manner, so as to reasonably evaluate the Company's value and enhance investors' confidence. The Company has adopted a shareholder communication policy to ensure that shareholders and general investors are provided with information about the Company, including its financial performance, strategic objectives and plans, major developments and corporate governance, in a timely manner, to enable shareholders to exercise their rights in an informed manner and enhance communication among shareholders, investors and the Company.

To promote effective communication, up-to-date information on the Company's business operations and developments, financial information, corporate governance practices and other information are published on the company website（www.jinmaowy.com）by the Company, available for public access. Latest information on the Group, including annual and interim reports, announcements, press releases and key corporate governance policies, is updated on the Company's website in a timely fashion. The Company also discloses relevant information on the website of the Stock Exchange in a timely manner in accordance with the requirements of the Listing Rules. The Company also holds annual general meetings and other general meetings. Meanwhile, in order to facilitate two-way communication between shareholders and potential investors and the Company, the Company has set up an investor relations email at ir_jmservices@sinochem.com to respond to enquiries from shareholders and the public.

In 2022, we actively communicated with analysts and investors through results presentations and roadshows, and our management also actively participated in the communication with all parties. The 2021 Results Presentations and the 2022 Interim Results Presentations were broadcast live on the online platform, which were signed up and watched by many investors and received good feedback.

The Board also endeavours to maintain an on-going dialogue with our shareholders, uses annual general meetings or other general meetings to communicate with our shareholders in particular and encourages them to participate in these meetings. All annual general meeting materials including but not limited to circular, notice and proxy form will be sent to shareholders in time which contain all adequate information according to the Listing Rules. As of the year ended 31 December 2022, the Company held the annual general meeting on 2 June 2022 and the extraordinary general meeting on 12 December 2022. It is one of the measures to protect the interests and rights of shareholders by proposing separate resolutions for shareholders' consideration and voting on major issues at general meetings. All Directors attended the annual general meeting held on 2 June 2022 except for the absence of Ms. Qiao Xiaojie, a non-executive Director, due to other business commitments. Except for Mr. Jiang Nan, Ms. He Yamin and Ms. Qiao Xiaojie, non-executive Directors, and Mr. Xie Wei, executive Director, were unable to attend due to official duties, all remaining Directors attended the extraordinary general meeting held on 12 December 2022.

We will continue to strengthen communications with investors, strive for wider coverage and more recommendations to enhance investors' recognition, confidence and loyalty in the Company and to safeguard the interests of our Shareholders. The Company reviews the shareholders' communication policy annually based on the feedback from investors and the capital market on the work of investor relations.

The Company has reviewed the shareholders' communication policy during the year and is of the view that the Company has provided investors with various channels for investors to understand the Group's business and operations, and for investors to express their opinions and comments. The Company also actively responded to the feedback from investors. Based on this, the Company considers that the shareholders' communication policy implemented during the year is adequate and effective.

## SHAREHOLDERS' RIGHT

To safeguard shareholder interests and rights, a separate resolution is proposed for each matter to be considered at shareholder meetings, including the election of individual Directors. All resolutions put forward at shareholder meetings will be voted on by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and of the Stock Exchange after each shareholder meeting. Shareholders may refer to the Articles of Association for details of their rights.

### Procedures for shareholders to convene a general meeting

General meetings may be convened by the Board on requisition of shareholder(s) of the Company representing at least 5% of the total voting rights of all the shareholders having a right to vote at general meetings or by such shareholder(s) who made the requisition (as the case may be) pursuant to Sections 566 and 568 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) (the "**Companies Ordinance**"). Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for convening a general meeting.

### Procedures for putting forward proposals at general meetings

Pursuant to Sections 580 and 615 of the Companies Ordinance, shareholders representing at least 2.5% of the total voting rights of all shareholders, or at least 50 shareholders (as the case may be) who have a right to vote at the relevant general meeting, may put forward proposals for consideration at a general meeting by sending requests in writing to the Company. Shareholders should follow the requirements and procedures as set out in the Companies Ordinance for circulating a resolution for general meeting.

### Shareholders' enquiries

If the shareholders are in any doubt about their shareholdings, the shareholders shall inquire the Company's share registrar directly. Shareholders and the investment community may at any time make a request for the Company's information to the extent that such information is publicly available. Shareholders may also make enquiries to the Board by writing to the Company at the Company's registered office in Hong Kong at Room 4702-03, 47/F, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong or at the Company's principal place of business in the PRC at 6/F, YouAn International Tower, Unit 2, Xitieying Middle Ave, Fengtai, Beijing, the PRC.

## CONSTITUTIONAL DOCUMENTS

In preparation for the Listing, the Company has adopted the Articles of Association pursuant to a special resolution passed by the shareholders on 18 February 2022. Since then, the Company has not made any changes to its Articles of Association. An up-to-date version of the Company's Articles of Association is also available on the Company's website and the Stock Exchange's website.

On behalf of the Board
**JIANG Nan**
*Chairman*

# DIRECTORS' REPORT

The Board hereby submits its report and the audited financial statements of the Group for the year ended 31 December 2022.

## Principal Business

The principal activity of the Company is investment holding. The activities of its principal subsidiaries are the provision of property management services in the PRC, details of which are set out in note 1 to the consolidated financial statements. The Group is engaged in three business lines, namely (i) property management services, (ii) value-added services to non-property owners, and (iii) community value-added services.

## Annual General Meeting

The forthcoming annual general meeting of the Company (the "**2022 AGM**") will be held on Monday, 5 June 2023, and the notice of 2022 AGM will be published and dispatched to the shareholders in the manner as required by the Listing Rules in due course.

The register of members of the Company will be closed from Wednesday, 31 May 2023 to Monday, 5 June 2023, both dates inclusive, during which period no transfer of shares will be registered. To determine the persons eligible for attending and voting at the 2022 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 30 May 2023.

## Results and Dividends

The results of the Group for the year ended 31 December 2022 are set out in the consolidated statement of profit or loss of this report.

The state of affairs of the Group as at 31 December 2022 is set out in the consolidated statement of financial position of this report.

The Board recommended the payment of a final dividend of HK$0.17 per ordinary share of the Company for the year ended 31 December 2022. The final dividend is subject to approval by the shareholders of the Company at the 2022 AGM, which is expected to be paid on or around Monday, 21 August 2023 to the shareholders whose names appeared on the register of members of the Company after the close of business on Wednesday, 14 June 2023.

The register of members of the Company will be closed, for the purpose of determining shareholders' entitlement to the proposed final dividend, from Monday, 12 June 2023 to Wednesday, 14 June 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to qualify for the proposed final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 9 June 2023.

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

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

Save as disclosed below, as at 31 December 2022, none of the Directors and chief executives of the Company had any interests and short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**")) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO, or which were required, pursuant to section 352 of the SFO, to be recorded in the register referred to therein, or which were required, pursuant to the Model Code as set out in the Listing Rules, to be notified to the Company and the Hong Kong Stock Exchange.

## Interest in the shares or underlying shares of our Company

### Interests in our Company

| Name of Director/ chief executive of our Company | Capacity/Nature of interest | Number of shares held | Approximate % shareholding interest in our Company |
|---|---|---|---|
| Jiang Nan | Beneficial owner | 54,380(L) | 0.006% |

### Interests in our associated corporations

| Name of Director/chief executive of our Company | Name of associated corporation | Capacity/Nature of interest | Number of shares held in the associated corporation | Number of underlying shares held in the associated corporation[1] | Approximate % shareholding interest in the associated corporation[2] |
|---|---|---|---|---|---|
| Jiang Nan | China Jinmao | Beneficial owner | 4,100,000(L) | 3,500,000(L) | 0.057% |
| Xie Wei | China Jinmao | Beneficial owner | – | 2,500,000(L) | 0.019% |
| Zhou Liye | China Jinmao | Beneficial owner | – | 1,618,000(L) | 0.012% |
| He Yamin | China Jinmao | Beneficial owner | – | 2,202,000(L) | 0.017% |
| Qiao Xiaojie | China Jinmao | Beneficial owner | – | 1,334,000(L) | 0.010% |

*Notes:*

The Letter "L" denotes the entity's long position in the shares.

1. This refers to underlying shares covered by share options granted pursuant to the share option scheme of China Jinmao, such options being unlisted physically settled equity derivatives.

2. This represents the percentage of the aggregate long positions in the shares and underlying shares to the total number of issued shares of China Jinmao as at 31 December 2022.

Save as disclosed above, as at the date of this report, none of the Directors or chief executives of the Company had or was deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations as recorded in the register which were required to be kept by the Company under section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Save as disclosed above, none of the Directors or their spouses or children under the age of 18 had been granted any right to subscribe for the equity or debt securities of the Company or any of its associated corporations, or had exercised any such right for the year ended 31 December 2022.

## Deed of Non-Competition with China Jinmao and Directors' Interest in Competing Business

To protect our Group from potential competition in the future with respect to our provision of property management business, China Jinmao has entered into a deed of non-competition in favour of our Company (for itself and as trustee for each of the members of our Group) on 21 February 2022 (the "**Deed of Non-Competition**"). For details, please refer to the section headed "Relationship with China Jinmao – Deed of Non-Competition" in the Prospectus.

In compliance with the Deed of Non-Competition, China Jinmao has made an annual confirmation on its compliance with the Deed of Non-Competition. In addition, our independent non-executive Directors have conducted an annual review of the implementation of the Deed of Non-Competition and confirmed that no non-compliance by China Jinmao with the undertakings in the Deed of Non-Competition has been identified. As of 31 December 2022, the Company is not aware of any other matters regarding the compliance of the undertakings in the Deed of Non-Competition that are required to be brought to the attention of the shareholders of the Company. During the year, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interest in a business that competed or was likely to compete, either directly or indirectly, with the business of the Group, other than holding overlapping position(s) in China Jinmao (in particular, Mr. Jiang Nan being the executive director and the chief financial officer of China Jinmao; Ms. He Yamin being the human resources director of China Jinmao; and Ms. Qiao Xiaojie being the deputy financial controller and the general manager of the financial capital center of China Jinmao).

## Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at the date of this report, so far as is known to the Directors, the following persons, not being a Director or chief executive of the Company, had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

| Name of Shareholder | Capacity | Number of Shares[1] | Approximately percentage of issued shares |
|---|---|---|---|
| China Jinmao | Beneficial owner | 608,319,969(L) | 67.28%(L) |
| Sinochem Hong Kong | Interest in controlled corporation[2] | 608,319,969(L) | 67.28%(L) |
| | Beneficial owner | 67,616,133(L) | 7.48%(L) |
| Sinochem Corporation ("**Sinochem Corporation**") | Interest in controlled corporation[2] | 675,936,102(L) | 74.76%(L) |
| Sinochem Group | Interest in controlled corporation[2] | 675,936,102(L) | 74.76%(L) |
| Sinochem Holdings | Interest in controlled corporation[2] | 675,936,102(L) | 74.76%(L) |

*Notes:*

(1) The Letter "L" denotes the entity's long position in the shares.

(2) Sinochem Holdings held the entire equity interests in Sinochem Group, which in turn held the entire equity interests in Sinochem Corporation. Sinochem Corporation held the entire equity interests in Sinochem Hong Kong, which in turn held an approximately 36.4% interest in China Jinmao as of 31 December 2022. For the purpose of the SFO, Sinochem Holdings, Sinochem Group, Sinochem Corporation and Sinochem Hong Kong are all deemed to be interested in the shares of the Company beneficially owned by China Jinmao, and Sinochem Holdings, Sinochem Group and Sinochem Corporation are all deemed to be interested in the shares beneficially owned by Sinochem Hong Kong.

(3) The calculation is based on the total number of issued shares of the Company (i.e. 904,189,000 shares).

Save as disclosed above, as at 31 December 2022, according to the register of interests required to be kept by the Company under Section 336 of the SFO, there was no person (not being a Director or chief executive of the Company) who had any interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## Share Option Scheme and Share Award Scheme

As at the date of this report, the Company has not adopted any share option scheme and share award scheme.

## Equity-linked Agreement

No equity-linked agreements that will or may result in the Company issuing shares or that require the Company to enter into any agreements that will or may result in the Company issuing shares were entered into by the Company during the year ended 31 December 2022 or subsisted as at 31 December 2022.

## Reserves and Distributable Reserves

Details of movements in the reserves of the Company for the year ended 31 December 2022 are set out in note 34 to the consolidated financial statements of this report. As at 31 December 2022, the reserves of the Company available for distribution, calculated in accordance with the provisions of Sections 291, 297 and 299 of the Companies Ordinance, amounted to approximately RMB143.6 million.

## Donations

For the year ended 31 December 2022, the Group made charitable donations and other donations totalling RMB32,170 (2021: RMB18,297).

## Audit Committee

The Audit Committee of the Company, comprising Dr. Chen Jieping as chairman and Mr. Sincere Wong and Ms. Qiao Xiaojie as members, has reviewed, together with the participation of the management, the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the audited financial statements of the Group for the year ended 31 December 2022.

## Employees and Remuneration Policies

Please refer to the section headed "Management Discussion and Analysis – Employees and Remuneration Policies and Employee Diversity" in this report.

## Pension Plan

Full-time employees of the Company are covered by various government-sponsored pension plans, under which the employees are entitled to a monthly pension based on certain formulae. These government agencies are responsible for the pension liability to these employees upon retirement. The Company contributes on a monthly basis to these pension plans. All contributions made under the government-sponsored pension plans described above are fully attributable to employees at the time of the payment and the Company is unable to forfeit any amounts contributed by it to such plans.

## Subsidiaries

Details of the Company's principal subsidiaries as at 31 December 2022 are set out in note 1 to the financial statements.

## Significant Investments, Acquisitions and Disposals of Subsidiaries, Associates and Joint Ventures

### Acquisition of Beijing Capital Services

On 17 June 2022, Jinmao PM, a wholly-owned subsidiary of the Company, won the bid for the 100% equity interest in Beijing Capital Services through the listing-for-sale process organized by China Beijing Equity Exchange Co., Ltd at a consideration of RMB450 million (the "**Acquisition**"). On the same day, Jinmao PM (as purchaser) and Beijing Capital Land Co., Ltd. ("**Beijing Capital Land**") entered into the equity transfer agreement in relation to the Acquisition. Upon completion of the Acquisition, Beijing Capital Services has become an indirect wholly-owned subsidiary of the Company.

Beijing Capital Services is principally engaged in the provision of property management and related services in the PRC. The projects under management and the projects to be managed by Beijing Capital Services under existing contracts are mainly upscale residential and commercial projects, which is in line with the Group's strategic positioning of managing upscale projects, and the geographical distribution of these projects is highly integrated with the projects under management of the Group, which is conducive to regional intensive management, achieving economies of scale and creating synergies. Beijing Capital Land is a large integrated real estate developer with sizeable land reserves. The various commercial properties and office buildings under management and to be managed by Beijing Capital Services under existing contracts will facilitate the Group to enhance its brand awareness and expertise in the area of property services for commercial projects. In addition, through the Acquisition, the Group will be able to increase its cooperation with Beijing Capital Land to further expand the Group's business scale and property management portfolio. Part of the consideration for the Acquisition in the amount of RMB315 million was paid in cash by using such part of the net proceeds from the Global Offering that was allocated for the acquisition of property management company, and the remaining part was paid by the Group with its own funds. For details of the Acquisition, please refer to the announcement of the Company dated 17 June 2022.

Save as disclosed in this report, there were no other significant investments held, material acquisitions or disposals of associates and joint ventures by the Company during the year ended 31 December 2022 and up to the date of this report.

## Future Plans for Material Investments or Purchase of Capital Assets

The Group has utilised and will continue to utilise the net proceeds raised from the Global Offering according to the plans set out in the section headed "Future Plans and Use of Proceeds" in the Prospectus. The Company did not have other plans for material investments or capital assets acquisitions as at the date of this report.

## Contracts between the Company and its Controlling Shareholders

China Jinmao is the controlling shareholder of the Company and Sinochem Holdings is the ultimate controlling shareholder of China Jinmao. Details of the significant contracts entered into between Sinochem or its subsidiaries and the Company or its subsidiaries which are mainly connected transactions, continuing connected transactions between them are set out in the "Connected Transactions" and "Continuing Connected Transactions" below. Save as disclosed in this report, no contract of significance, whether for provision of service or otherwise, has been entered into between the Company or any of its subsidiaries and the controlling shareholders or any of the controlling shareholders' subsidiaries during the year ended 31 December 2022.

## Indebtedness

As at 31 December 2022, we had no outstanding borrowings. We had lease liabilities of approximately RMB100.5 million as at 31 December 2022.

## Contingent Liabilities

As at 31 December 2022, we did not have any outstanding guarantees or other material contingent liabilities.

## Property, Plant and Equipment

Details of the movements in the property, plant and equipment of the Group for the year ended 31 December 2022 are set out in note 13 to the financial statements. No assets of the Group were charged during the year ended 31 December 2022.

## Principal Properties

For the year ended 31 December 2022, the Group does not held any properties for development and/or sale or for investment purposes of which the percentage ratios exceeds 5%.

## Management Contract

No contracts, other than labour contracts, concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year ended 31 December 2022.

## Key Relationships with Employees, Customers and Suppliers

Details of the key relationships between the Company and its employees, customers and suppliers are set out in the paragraphs headed "Management Discussion and Analysis – Employees and Remuneration Policies and Employee Diversity" and "Directors' Report – Major Customers and Suppliers" in this report.

## Share Capital

Details of the movements in share capital of the Company for the year ended 31 December 2022 are set out in note 25 to the financial statements.

## Directors

During the year ended 31 December 2022 and up to the date of this report, the Board comprised eight Directors, of which two were executive Directors, three were non-executive Directors and three were independent non-executive Directors, whose names are as follows:

| | APPOINTMENT DATE |
|---|---|
| **EXECUTIVE DIRECTORS** | |
| Mr. Xie Wei (謝煒) | 26 August 2021 |
| Ms. Zhou Liye (周立燁) | 26 August 2021 |
| **NON-EXECUTIVE DIRECTORS** | |
| Mr. Jiang Nan (江南) *(Chairman)* | 26 August 2021 |
| Ms. He Yamin (賀亞敏) | 26 August 2021 |
| Ms. Qiao Xiaojie (喬曉潔) | 26 August 2021 |
| **INDEPENDENT NON-EXECUTIVE DIRECTORS** | |
| Dr. Chen Jieping (陳杰平) | 10 March 2022 |
| Dr. Han Jian (韓踐) | 10 March 2022 |
| Mr. Sincere Wong (黃誠思) | 10 March 2022 |

The list of Directors (by category) is also disclosed in all corporate communications issued by the Company pursuant to the Listing Rules from time to time.

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

In accordance with the Articles of Association of the Company, Dr. Chen Jieping, Dr. Han Jian and Mr. Sincere Wong will retire at the forthcoming annual general meeting of the Company and, being eligible, will offer themselves for re-election.

None of the Directors who are proposed for re-election at the forthcoming annual general meeting has a service contract with the Company or any of its subsidiaries which is not determinable within one year without payment of compensation, other than statutory compensation.

During the year ended 31 December 2022 and up to the date of this report, the list of Directors of the Company's subsidiaries is available on the Company's website at www.jinmaowy.com.

## Directors' and Senior Management's Biographies

Biographical details of the Directors and the senior management of the Group are set out in the section headed "Directors and Senior Management" of this report.

## Remuneration of Directors and Senior Management

The remuneration of the Directors and senior management of the Company are determined by the Remuneration and Nomination Committee by reference to the Company's operating results, market rate and individual performance. In particular, the Remuneration and Nomination Committee will consider factors such as (i) salaries paid by comparable companies, time commitment and responsibilities and employment conditions of the Group; (ii) appointment and termination terms for Directors and senior management to ensure they are fair; (iii) compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure they are reasonable and appropriate; (iv) company culture and other non-financial key performance indicators; and (v) whether the remuneration package for an independent non-executive Director may affect his/her objectivity and independence. No Director is allowed to take part in deciding his own remuneration.

For the year ended 31 December 2022, details of the remuneration of the Directors and senior management of the Company are set out in notes 8 and 30 to the financial statements. There was no arrangement under which a Director waived or agreed to waive any remuneration during the year ended 31 December 2022.

## Interests of the Directors in Contracts

Save as disclosed in this report, no Directors (or their connected entities) had any direct or indirect material interests in any transactions, arrangements or contracts of significance to the business of the Group to which the Company or any of its subsidiaries was a party as at 31 December 2022 or at any time during the year ended 31 December 2022.

## Changes in Directors' Information

The changes in the Directors' information as required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules for the year ended 31 December 2022 and up to the date of this report are set out below:

- Dr. Han Jian, an independent non-executive Director of the Company, has been appointed as an independent director of Changzhou Xingyu Automotive Lighting Systems Co., Ltd. (a company listed on the Shanghai Stock Exchange, stock code: 601799) since 15 April 2022. She was also appointed as an independent director of Dada Group Limited (a company listed on Nasdaq in the United States of America, stock code: DADA) starting from 31 August 2022.

- Mr. Sincere Wong, an independent non-executive Director of the Company, was qualified as a lawyer in the Guangdong-Hong Kong-Macao Greater Bay Area in September 2022.

## Sufficiency of Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Board, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the date of this report.

## Directors' Rights to Subscribe Share

Save as disclosed in the this report, no arrangements to which the Company or its controlling shareholder or any of their respective subsidiaries is a party, whose purposes are, or one of whose purposes is, to enable any Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, subsisted as at 31 December 2022 or at any time during the year ended 31 December 2022.

## Purchase, Sale or Redemption of the Company's Listed Securities

Save as the Global Offering (including the partial exercise of the over-allotment option) of the Company as described in the Company's Prospectus and the announcement dated 3 April 2022, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2022.

## Major Customers and Suppliers

We have a large, growing and loyal customer base primarily consisting of (i) property owners and residents using our property management and community value-added services, (ii) property developers using our value-added services to non-property owners and property management services, and (iii) other customers such as advertising companies using our community value-added services.

For the year ended 31 December 2022, the five largest customers of the Group accounted for approximately 42.6% of the total revenue, while the largest customer accounted for approximately 38.8% of the total revenue.

China Jinmao is the controlling shareholder of our Company for the purpose of the Listing Rules. Sinochem Holdings is an indirect controlling shareholder of China Jinmao and consolidates the accounts of China Jinmao and its subsidiaries. When calculating our five largest customers for the year ended 31 December 2022, we aggregated revenue contribution from customers under common control and their subsidiaries, joint ventures and associates.

As a result, our single largest customer for the year ended 31 December 2022 was Sinochem Holdings and its subsidiaries, joint ventures and associates, which include China Jinmao and its subsidiaries (excluding our Group), joint ventures and associates. For further details, please refer to note 30 to the financial statements in this report.

Save as disclosed above, none of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers.

For the year ended 31 December 2022, most of our five largest suppliers were sub-contractors providing cleaning services and security services.

For the year ended 31 December 2022, the five largest suppliers of the Group accounted for approximately 19.9% of the total purchases, while the largest supplier accounted for approximately 12.1% of the total purchases.

None of the Directors of the Company or any of their close associates or any shareholders (which, to the best knowledge of the Directors, owns more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest suppliers.

## Business Review

A review of the business of the Group during the year ended 31 December 2022, a description of the principal risks and uncertainties that the Group may be facing, a discussion on the Group's future business development and an analysis of the Group's performance during the year ended 31 December 2022 using key financial performance indicators are contained in the sections headed "Management Discussion and Analysis" and "Directors' Report - Principal Risks and Uncertainties" of this report.

## Environmental Policies and Performance

The Group has always practiced the philosophy of green and low-carbon sustainable development by fully implementing ecological and environmental protection. To minimize the impact on the environment and natural resources generated from the operation of the Group, the Group has formulated relevant documents such as the "Operation Guide for Energy Conservation and Emission Reduction", "Operation Guide for Waste Management", "Environmental Protection Management Measures", "Chemical Safety Management Standard", "Solid Waste Management" in a bid to continue to improve the environmental management system. By carrying out maintenance of green plants in parks according to regions and seasons, the Group conducted road cleaning, disinfected and killed "Four Pests" - mosquitoes, flies, cockroaches and mice. The Group had in place extensive resource recovery and energy saving initiatives in its offices and branch premises (including their offices). The Group also took the initiatives to promote the concept and behavior of low-carbon life, organized various types of environmental protection public welfare activities and published relevant festival articles, posters and videos utilizing social media platforms such as the Company's official website and official WeChat account to convey low-carbon knowledge and promote the concept of energy conservation.

A separate Environmental, Social and Governance Report for the year ended 31 December 2022 has been published on the websites of the Company and the Stock Exchange together with this report in compliance with ESG Reporting Guide as set out in Appendix 27 to the Listing Rules.

## Compliance with Relevant Laws and Regulations

The Group has complied with the requirements under the Companies Ordinance, the Listing Rules, and the SFO for, among other things, the disclosure of information and corporate governance. The Group has also complied with other relevant laws and regulations that have a significant impact on the Group's operations. The Company has formulated the comprehensive administration standards and approval procedures for legal affairs and continued to revise them for improvement. In addition, the Company organised legal publicity trainings for employees, which introduced the major risks that the Company should focus on and put forward legal risk prevention and control suggestions, so as to ensure continuously effective operation of the legal risk prevention and control system of the Company by making sure that the employees of the Company are aware of and in compliance with the relevant laws and regulations, related major risks and solutions when discharging their duties. During the year ended 31 December 2022, as far as the Company is aware, there was no material breach of or non-compliance with applicable laws and regulations by our Group that has a significant impact on the business and operations of the Group.

## Permitted Indemnity Provision

As at the date of this report and during the year ended 31 December 2022, the permitted indemnity provision for the benefit of the Directors remained in force. Pursuant to the Articles of Association of the Company, every Director, company secretary or other officer of the Company shall be entitled to be indemnified by the Company against all costs, charges, losses, expenses and liabilities (to the fullest extent permitted by the Companies Ordinance) which he may incur in the execution and discharge of his duties or in relation thereto. The Company has taken out insurance against all loss and liabilities associated with defending any proceedings which may be brought against Directors and other officers of the Company.

## Related Party Transactions

Details of the related party transactions undertaken in the normal course of business are provided under note 30 to the consolidated financial statements of this report.

Save as disclosed below, during the reporting period, none of the related party transactions constituted a connected transaction or continuing connected transaction that is subject to independent shareholders' approval, annual review and all disclosure requirements under Chapter 14A of the Listing Rules.

## CONNECTED TRANSACTIONS

Transactions between members of the Group and the Company's connected persons have become connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the non-exempt continuing connected transactions are set out below:

## Property Management Services Framework Agreement

On 21 February 2022, our Company entered into a property management services framework agreement with China Jinmao (the "**Property Management Services Framework Agreement**") (as amended by a supplemental agreement dated 25 October 2022), pursuant to which our Company (for itself and on behalf of our Group) agreed to provide property management services to China Jinmao and its associates (the "**Jinmao Connected Persons**"), including (i) property management services to the Jinmao Connected Persons in respect of property units developed by the Jinmao Connected Persons which have been sold but not yet been delivered to the buyers, and properties owned, used or operated by the Jinmao Connected Persons, and (ii) those services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points they earned through the reward program implemented by China Jinmao. The fees charged by us to the Jinmao Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by us to the Jinmao Connected Persons shall not be less favorable to our Group than the terms offered by us to our independent customers for the same or similar type and scope of property management services. For the services provided to property owners and residents who have paid their property management fees to the Group by redeeming the reward points, Jinmao Group will reimburse the equivalent amount of such property management fees to the Group in cash on a dollar-to-dollar basis.

The Property Management Services Framework Agreement (as amended by a supplemental agreement dated 25 October 2022) took effect from the Listing Date and will expire on 31 December 2023. For the two years ending 31 December 2022 and 2023, the annual caps of fees chargeable by our Group in relation to the property management services are RMB200 million and RMB250 million, respectively. The actual transaction amount for the transactions under the Property Management Services Framework Agreement (as amended by the supplemental agreement dated 25 October 2022) for the year ended 31 December 2022 amounted to approximately RMB147 million.

## Sales Assistance Services Framework Agreement

On 21 February 2022, our Company entered into a sales assistance services framework agreement (the "**Sales Assistance Services Framework Agreement**") with China Jinmao, pursuant to which our Company (for itself and on behalf of our Group) agreed to provide sales assistance service to the Jinmao Connected Persons with respect to properties developed by them, to assist with their sales and marketing activities at property sales venues and display units.

The terms offered by us to the Jinmao Connected Persons shall not be less favorable to our Group than the terms offered by us to our independent customers for the same or similar type and scope of sales assistance services.

The Sales Assistance Services Framework Agreement took effect from the Listing Date and will expire on 31 December 2023. For the two years ending 31 December 2022 and 2023, the annual caps of fees chargeable by our Group in relation to the sales assistance services are RMB330 million and RMB390 million, respectively. The actual transaction amount of the transactions under the Sales Assistance Services Framework Agreement for the year ended 31 December 2022 is approximately RMB215 million.

## Property Agency Services Framework Agreement

On 21 February 2022, our Company entered into a property agency services framework agreement (the "**Property Agency Services Framework Agreement**") with China Jinmao, pursuant to which our Company (for itself and on behalf of our Group) agreed to provide property agency services to the Jinmao Connected Persons, by sourcing potential purchasers and providing assistance in entering into sales contracts with buyers, with respect to (i) newly developed properties and (ii) unsold car park spaces developed by the Jinmao Connected Persons.

With respect to newly developed properties, our Group will charge a commission calculated at a fixed percentage of the sales price of the relevant properties. With respect to car park spaces, our Group will charge either (a) a commission calculated at a fixed percentage of the sales price of the relevant car park spaces or a fixed amount on top of the sales price of the relevant car park spaces, or (b) the difference between the actual sales price paid by the purchaser and the pre-determined minimum sales price.

The Property Agency Services Framework Agreement took effect from the Listing Date and will expire on 31 December 2023. For the two years ending 31 December 2022 and 2023, (i) the annual caps of fees chargeable by our Group in relation to the property agency services for newly developed properties are RMB10 million and RMB20 million, respectively, and (ii) the annual caps of fees chargeable by our Group in relation to the property agency services for car park spaces are RMB150 million and RMB200 million, respectively. The actual transaction amount of the transactions under the Property Agency Services Framework Agreement for the year ended 31 December 2022: (i) fees charged for property agency services of newly developed properties amounting to approximately RMB0 million; (ii) fees charged for property agency services for carparking spaces amounting to approximately RMB119 million.

## Consultancy and Other Value-added Services Framework Agreement

On 21 February 2022, our Company entered into a consultancy and other value-added services framework agreement (the "**Consultancy and Other Value-added Services Framework Agreement**") with China Jinmao, pursuant to which our Company (for itself and on behalf of our Group) agreed to provide certain consultancy and other value-added service to the Jinmao Connected Persons, including but not limited to (i) consultancy services from the perspective of property management with respect to site selection, positioning, preliminary planning and design, engineering and construction of property development projects, (ii) pre-delivery services, such as site clearing, assistance with preparatory work and maintenance of order, and pre-delivery inspection and assessment, (iii) post-delivery services mainly comprising repair and maintenance services during the post-delivery warranty periods, (iv) engineering services for the upgrade of smart management hardware, and (v) community value-added services as may be required by the Jinmao Connected Persons from time to time, such as management and operation services in respect of car park spaces owned by the Jinmao Connected Persons.

The terms offered by us to the Jinmao Connected Persons shall not be less favorable to our Group than the terms offered by us to our independent customers for the same or similar type and scope of value-added services.

The Consultancy and Other Value-added Services Framework Agreement took effect from the Listing Date and will expire on 31 December 2023. For the two years ending 31 December 2022 and 2023, the annual caps of fees chargeable by our Group in relation to the consultancy and other value-added services are RMB536 million and RMB615 million, respectively. The actual transaction amount of the transactions under the Consultancy and Other Value-added Services Framework Agreement for the year ended 31 December 2022 amounted to approximately RMB405 million.

## Sinochem Framework Agreement

On 21 February 2022, our Company entered into a framework agreement with Sinochem Holdings (the"**Sinochem Framework Agreement**") (as amended by the supplemental agreement dated 18 November 2022), pursuant to which our Company (for itself and on behalf of our Group) agreed to provide certain services to Sinochem Holdings and its associates (the "**Sinochem Connected Persons**"), including (i) property management services in respect of the industrial parks, research institutes and office buildings held by the Sinochem Connected Persons, as well as office spaces used by the Sinochem Connected Persons, and (ii) community value-added services as may be required by the Sinochem Connected Persons from time to time, such as management services in respect of car park spaces used by the Sinochem Connected Persons.

The fees charged by us to the Sinochem Connected Persons shall not be higher than the standard fees designated by the relevant regulatory authorities (if applicable), and the terms offered by us to the Sinochem Connected Persons shall not be less favorable to our Group than the terms offered by us to our independent customers for the same or similar type and scope of services.

The Sinochem Framework Agreement (as amended by the supplemental agreement dated 18 November 2022) took effect from the Listing Date and will expire on 31 December 2023. For the two years ending 31 December 2022 and 2023, (i) the annual caps of fees chargeable by our Group in relation to the property management services are RMB60 million and RMB78 million, respectively, and (ii) the annual caps of fees chargeable by our Group in relation to the value-added services are RMB10 million and RMB15 million, respectively. The actual transaction amount of the transactions under the Sinochem Framework Agreement (as amended by the supplemental agreement dated 18 November 2022) for the year ended 31 December 2022: (i) fee charged for property management services amounting to approximately RMB53 million; (ii) fees charged for value-added services amounting to approximately RMB6 million.

## Financial Service Framework Agreement with Sinochem Finance

On 16 November 2022, the Company entered into a financial service framework agreement with Sinochem Finance (the "**Financial Service Framework Agreement with Sinochem Finance**"), pursuant to which the Group will utilise the financial services provided by Sinochem Finance on a non-exclusive basis as it considers necessary, which included deposit and loan services, entrustment loans, settlement services, provision of guarantees, non-financing factoring services, online banking services and any other financial services as approved by the China Banking and Insurance Regulatory Commission. The relevant fees and loan interest shall be determined at a rate no higher than the standards as set by the PBOC from time to time or the market price, and the deposit interest shall be determined at a rate no lower than the benchmark interest rate as promulgated by the PBOC from time to time or the market price. The settlement services are provided free of charge.

The Financial Service Framework Agreement with Sinochem Finance became effective on the date of signing and will expire on 31 December 2024. For the three years ending 31 December 2024, the maximum daily balance of the deposits (including the accrued interest thereon) placed by the Group with Sinochem Finance, calculated as at the close of business each day, is RMB120 million. The actual maximum balance (including the accrued interest thereon) of the transactions under the Financial Service Framework Agreement with Sinochem Finance for the year ended 31 December 2022 amounted to approximately RMB115 million.

As China Jinmao is the controlling shareholder of the Company while Sinochem Holdings is the ultimate holding company of China Jinmao, each of China Jinmao and Sinochem Holdings is a connected person of the Company under Chapter 14A of the Listing Rules. As Sinochem Finance is a subsidiary of Sinochem Holdings, it is also a connected person of the Company.

The continuing connected transactions of the Company conducted for the year ended 31 December 2022 complied with the requirements under Chapter 14A of the Listing Rules. During the year, when conducting these continuing connected transactions, the Company complied with the pricing policies and guidelines formulated when such transactions were entered into.

## CONFIRMATION OF INDEPENDENT NON-EXECUTIVE DIRECTORS AND AUDITORS

In the opinion of the independent non-executive Directors of the Company, the continuing connected transactions as of 31 December 2022 were entered into by the Group:

- in the ordinary and usual course of its business;
- on normal commercial terms; and
- in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The auditor of the Company has been engaged to report on the continuing connected transactions of the Company as of 31 December 2022 in accordance with the Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements other than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Board of Directors has received an unqualified letter from the auditor of the Company in accordance with Rule 14A.56 of the Listing Rules, stating that the auditor has not noticed that any of these continuing connected transactions:

- have not been approved by the Board of Directors of the Company;
- for the connected transactions involving the provision of goods or services by the Group, have not been entered into in accordance with the pricing policies of the Group in all material aspects;
- have not been entered into in accordance with the terms of the relevant agreements governing such continuing connected transactions in all material aspects; and
- have exceeded the relevant caps for the year ended 31 December 2022.

## Auditor

The consolidated financial statements of the Company for the year ended 31 December 2022 has been audited by Ernst & Young. The Board proposed to re-appoint them as the Company's auditor for the year 2023 and a resolution for their re-appointment as the auditor of our Company will be proposed at the 2022 AGM.

## Principal Risks and Uncertainties

The Group's financial condition, results of operations, businesses and prospects may be affected by a number of risks and uncertainties. The key risks and uncertainties identified by the Group are set out as follows:

### 1. A substantial portion of the properties under our management during the year ended 31 December 2022 were developed by Jinmao Group

As we do not have control over the management strategy of Jinmao Group, any measures that the PRC government may adopt to further regulate the real estate market, or the macro-economic or other factors that may affect the business operations and prospects of Jinmao Group, any adverse development in the operations of Jinmao Group or its ability to develop new properties may affect our ability to procure the relevant new service contracts for property management services, value-added services to non-property owners and community value-added services. We cannot assure you that Jinmao Group will continue to engage us to provide property management services, value-added services to non-property owners or community value-added services for any properties they develop, particularly because the appointment of property management companies for the preliminary property management service contracts of residential and non-residential properties in the same property management area is generally subject to a tender and bidding process under the Regulations on Property Management (2018 Revision) (《物業管理條例》) (2018 年修訂) and the Interim Measures for Bid-Inviting and Bidding Management of Preliminary Property Management(《前期物業管理招標投標管理暫行辦法》).

Going forward, we plan to (i) enter into more cooperation arrangements with regional governments to expand our management scale and diversify our city operation portfolio and service offerings, (ii) establish strategic alliance with other independent third-party developers to fully collaborate and utilize their resources in the field of property management and related services, (iii) leveraging our brand reputation and track record, continue to secure new contracts by participating in the tendering and bidding process and commercial negotiation, and (iv) use the proceeds from the Global Offering for acquisition and investment in suitable property management companies. As a result, it is expected that we will continue to capture new contracts from independent third parties, and our GFA under management in respect of properties developed by independent third parties and revenue generated from services provided to independent third parties will continue to increase.

### 2. Our business operations and financial performance have been and may continue to be affected by the outbreak of COVID-19

While there has been improvement in the COVID-19 situation in the PRC where we operate, we are uncertain as to when the outbreak of COVID-19 will continue to be contained, and we also cannot predict if the impact will be long-lasting. Furthermore, there is no assurance that another major COVID-19 or other disease outbreak will not happen in the future. This could materially and adversely affect the overall business sentiment, cause our business to suffer in ways that we cannot predict and affect our business, financial condition and results of operations. Over a longer term, if the outbreak continues and impacts the broader economy, some of the property owners may face difficulty in honoring their payment obligations under our property management contracts. If any of these events eventuate, our business, financial condition and results of operations may be adversely affected.

### 3. The growth of property management and commercial operation service markets depends on general economic and market conditions

Changes in the general economic and market conditions including changes in international, national, regional and local economic conditions, market volatility, declining demand for residential or commercial real estate, falling real estate values, disruption to the global capital or credit markets may also negatively affect the PRC property management and commercial operational service markets which could, in turn, have a material adverse effect on the PRC property management and commercial operational service markets which could, in turn, have a material adverse effect on the Group.

## Important Events after the Reporting Period

There were no other significant events affecting the Group which occurred after 31 December 2022 and up to the date of this report.

By order of the Board
**Jiang Nan**
*Chairman*

# INDEPENDENT AUDITOR'S REPORT

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**Independent auditor's report**
**To the members of Jinmao Property Services Co., Limited**
(Incorporated in Hong Kong with limited liabilities)

## Opinion

We have audited the consolidated financial statements of Jinmao Property Services Co., Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 151, which comprise the consolidated statement of financial position as at 31 December 2022, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

## Basis for opinion

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

## Key audit matters

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

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

## Key audit matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
|---|---|
| **Impairment testing of goodwill and contractual right** | |
| As at 31 December 2022, the net carrying amounts of goodwill and other intangible assets arising from business combinations amounted to approximately RMB249,122,000 and RMB82,323,000, respectively. The Group's other intangible assets arising from business combinations comprised a contractual right with a finite useful live.<br><br>In accordance with Hong Kong Accounting Standard 36 *Impairment of Assets* ("HKAS 36"), the Group performs impairment testing annually for the cash-generating unit (the "CGU") to which the goodwill was allocated. Besides, according to HKAS 36, for contractual right with a finite useful life, the Group shall also assess at the end of each reporting period whether there is any indication that the intangible asset may be impaired, and shall test the intangible asset for impairment if such indication exists. Management's assessment on the impairment was complex and involved significant management judgements and estimates to determine the CGU's recoverable amount, such as the forecasted cash flows, budgeted gross margin and discount rates, which are sensitive to expected future market conditions and the CGU's actual performance.<br><br>Relevant disclosures are included in notes 2.4, 3, 16 and 17 to the consolidated financial statements. | Our audit procedures included an analysis of the rationale and objective evidence used by management in evaluating whether there were impairment indicators for contractual right arising from business combinations. For any impairment indicator existed, the contractual right was taken into further assessment about whether any impairment losses occur.<br><br>For goodwill and contractual right arising from business combinations with impairment indicators, we evaluated the key assumptions including those related to the forecasted cash flows, budgeted gross margin and discount rates applied. We also took into account of the key assumptions by benchmarking to the external industry information.<br><br>In performing our audit procedures, we involved our internal valuation specialists to assess the assumptions applied by benchmarking against independent data.<br><br>We considered the historical financial performance of the business units and compared with the original forecasts to evaluate the management's budgeting process.<br><br>We also assessed the adequacy of the disclosure in relation to the Group's goodwill and contractual right. |

## Key audit matters (Continued)

| Key audit matter | How our audit addressed the key audit matter |
| --- | --- |
| **Impairment assessment of trade receivables** | |
| As at 31 December 2022, the gross amount of the Group's trade receivables amounted to RMB794,750,000, against which allowances for impairment of RMB16,188,000, was made based on the expected credit loss approach under Hong Kong Financial Reporting Standard 9 *Financial Instruments*.<br><br>Management assessed the expected credit losses of trade receivables based on assumptions about risk of default and expected credit loss rates. It involved significant judgements and estimates when management made these assumptions and selected the inputs to the impairment calculation, based on the Group's past history, ageing profile of the receivables, existing market conditions as well as forward-looking estimates at the end of the reporting period.<br><br>Relevant disclosures are included in notes 2.4, 3 and 20 to the consolidated financial statements. | Our procedures in relation to management's impairment assessment on trade receivables included assessing the credit loss provisioning methodology and the estimated credit loss rates adopted by management by considering historical cash collection performance and movements of the ageing of trade receivables and taking into account of the existing market conditions. We also tested, on a sample basis, the ageing analysis of trade receivables prepared by management, recalculated the provision for loss allowance and assessed the adequacy of the Group's disclosures in the consolidated financial statements. |

## Other information included in the Annual Report

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

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

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

## Responsibilities of the directors for the consolidated financial statements

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

## Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, in accordance with section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

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

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

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

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

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

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

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Wong Kwok Yin.

*Ernst & Young*
Certified Public Accountants
Hong Kong
24 March 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **REVENUE** | 5 | 2,436,035 | 1,515,525 |
| Cost of sales | | (1,702,165) | (1,045,491) |
| Gross profit | | 733,870 | 470,034 |
| Other income and gains | 5 | 46,074 | 45,512 |
| Selling and distribution expenses | | (54,028) | (14,688) |
| Administrative expenses | | (239,513) | (209,351) |
| Other expenses, net | | (38,509) | (9,665) |
| Finance costs | 7 | (1,583) | (33,707) |
| **PROFIT BEFORE TAX** | 6 | 446,311 | 248,135 |
| Income tax expense | 10 | (104,890) | (69,124) |
| **PROFIT FOR THE YEAR** | | 341,421 | 179,011 |
| Attributable to: | | | |
| Owners of the parent | | 336,002 | 177,977 |
| Non-controlling interests | | 5,419 | 1,034 |
| | | 341,421 | 179,011 |
| **EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT** | | | |
| Basic and diluted | 12 | RMB0.38 | RMB0.22 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **PROFIT FOR THE YEAR** | 341,421 | 179,011 |
| **OTHER COMPREHENSIVE INCOME** | | |
| Other comprehensive income that will not be reclassified to profit or loss in subsequent periods: | | |
| Exchange differences on translation of financial statements of the Company | 39,580 | 254 |
| **OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX** | 39,580 | 254 |
| **TOTAL COMPREHENSIVE INCOME FOR THE YEAR** | 381,001 | 179,265 |
| Attributable to: | | |
| Owners of the parent | 375,582 | 178,231 |
| Non-controlling interests | 5,419 | 1,034 |
| | 381,001 | 179,265 |

# CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 13 | 90,507 | 54,704 |
| Investment properties | 14 | 94,207 | 9,379 |
| Right-of-use assets | 15(a) | 28,330 | 32,473 |
| Goodwill | 16 | 249,122 | – |
| Intangible assets | 17 | 91,713 | 6,392 |
| Deferred tax assets | 18 | 6,111 | 4,708 |
| Other receivables and other assets | 21 | 1,238 | 2,693 |
| Total non-current assets | | 561,228 | 110,349 |
| **CURRENT ASSETS** | | | |
| Inventories | 19 | 4,391 | 4,523 |
| Trade receivables | 20 | 778,562 | 414,477 |
| Prepayments, other receivables and other assets | 21 | 611,460 | 267,293 |
| Prepaid tax | | 27,280 | 7,513 |
| Restricted cash | 22 | 1,649 | 1,278 |
| Cash and cash equivalents | 22 | 1,018,958 | 553,619 |
| Total current assets | | 2,442,300 | 1,248,703 |
| **CURRENT LIABILITIES** | | | |
| Trade payables | 23 | 456,084 | 170,944 |
| Other payables and accruals | 24 | 664,286 | 629,830 |
| Contract liabilities | 5 | 370,373 | 313,937 |
| Lease liabilities | 15(a) | 15,664 | 8,972 |
| Tax payable | | 26,185 | 4,359 |
| Total current liabilities | | 1,532,592 | 1,128,042 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **NET CURRENT ASSETS** | | 909,708 | 120,661 |
| **TOTAL ASSETS LESS CURRENT LIABILITIES** | | 1,470,936 | 231,010 |
| **NON-CURRENT LIABILITIES** | | | |
| Lease liabilities | 15(a) | 84,875 | 25,342 |
| Deferred tax liabilities | 18 | 25,835 | 1,687 |
| Total non-current liabilities | | 110,710 | 27,029 |
| Net assets | | 1,360,226 | 203,981 |
| **EQUITY ATTRIBUTABLE TO OWNERS OF THE PARENT** | | | |
| Share capital | 25 | 839,529 | 66,947 |
| Reserves | 26 | 503,644 | 128,450 |
| | | 1,343,173 | 195,397 |
| Non-controlling interests | | 17,053 | 8,584 |
| Total equity | | 1,360,226 | 203,981 |

| **Xie Wei** | **Zhou Liye** |
|---|---|
| *Director* | *Director* |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## Year ended 31 December 2022

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Merger reserve* RMB'000 | Other reserve* RMB'000 Note 26(b) | PRC statutory surplus reserve* RMB'000 Note 26(c) | Exchange fluctuation reserve* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2022 | 66,947 | (76,268) | 20,070 | 5,400 | 254 | 178,994 | 195,397 | 8,584 | 203,981 |
| Profit for the year | – | – | – | – | – | 336,002 | 336,002 | 5,419 | 341,421 |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences on translation of financial statements | – | – | – | – | 39,580 | – | 39,580 | – | 39,580 |
| Total comprehensive income for the year | – | – | – | – | 39,580 | 336,002 | 375,582 | 5,419 | 381,001 |
| Capital injection from the parent *(note 25)* | 101,538 | – | – | – | – | – | 101,538 | – | 101,538 |
| Issuance of ordinary shares *(note 25)* | 684,533 | – | – | – | – | – | 684,533 | – | 684,533 |
| Share issue expenses *(note 25)* | (13,489) | – | – | – | – | – | (13,489) | – | (13,489) |
| Transfer to PRC statutory surplus reserve | – | – | – | 40,184 | – | (40,184) | – | – | – |
| Capital contribution from non-controlling shareholders | – | – | – | – | – | – | – | 3,050 | 3,050 |
| Contribution from the immediate holding company | – | – | (388) | – | – | – | (388) | – | (388) |
| At 31 December 2022 | 839,529 | (76,268) | 19,682 | 45,584 | 39,834 | 474,812 | 1,343,173 | 17,053 | 1,360,226 |

* These reserve accounts comprised the reserves of RMB503,644,000 and RMB128,450,000 in the consolidated statements of financial position as at 31 December 2022 and 31 December 2021, respectively.

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
Year ended 31 December 2022

| | Attributable to owners of the parent | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital RMB'000 | Merger reserve* RMB'000 Note 26(a) | Other reserve* RMB'000 Note 26(b) | PRC statutory surplus reserve* RMB'000 Note 26(c) | Exchange fluctuation reserve* RMB'000 | Retained profits* RMB'000 | Total RMB'000 | Non-controlling interests RMB'000 | Total equity RMB'000 |
| At 1 January 2021 | – | 25,000 | 16,087 | 6,268 | – | 1,779 | 49,134 | – | 49,134 |
| Profit for the year | – | – | – | – | – | 177,977 | 177,977 | 1,034 | 179,011 |
| Other comprehensive income for the year: | | | | | | | | | |
| Exchange differences on translation of financial statements | – | – | – | – | 254 | – | 254 | – | 254 |
| Total comprehensive income for the year | – | – | – | – | 254 | 177,977 | 178,231 | 1,034 | 179,265 |
| Transfer to merger reserve | – | 1,630 | – | (1,630) | – | – | – | – | – |
| Deemed distribution for acquisition of subsidiaries under common control *(note 26(a))* | – | (21,484) | – | – | – | – | (21,484) | – | (21,484) |
| Issuance of ordinary shares *(note 25)* | 66,947 | (66,947) | – | – | – | – | – | – | – |
| Transfer to PRC statutory surplus reserve | – | – | – | 762 | – | (762) | – | – | – |
| Capital contribution from non-controlling shareholders | – | – | – | – | – | – | – | 7,550 | 7,550 |
| Distribution to the parent | – | (14,467) | – | – | – | – | (14,467) | – | (14,467) |
| Contribution from the immediate holding company | – | – | 3,983 | – | – | – | 3,983 | – | 3,983 |
| At 31 December 2021 | 66,947 | (76,268) | 20,070 | 5,400 | 254 | 178,994 | 195,397 | 8,584 | 203,981 |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Profit before tax | | 446,311 | 248,135 |
| Adjustments for: | | | |
| Finance costs | 7 | 1,583 | 33,707 |
| Bank interest income | 5 | (12,068) | (3,433) |
| Loan interest income | 5 | – | (32,408) |
| Fair value loss/(gain) on investment properties | 6 | (18,356) | 1,211 |
| Impairment losses of trade receivables | 6 | 10,695 | 2,262 |
| (Write-back of impairment losses)/impairment losses of other receivables | 6 | (2,411) | 1,831 |
| Impairment of inventories | 6 | 48 | 467 |
| Loss on disposal of items of property, plant and equipment, net | 6 | 274 | 510 |
| Depreciation of property, plant and equipment | 6 | 18,121 | 9,631 |
| Depreciation of right-of-use assets | 6 | 10,972 | 9,253 |
| Amortisation of intangible assets | 6 | 10,968 | 3,102 |
| Equity-settled share option expenses | 30(a) | (388) | 1,646 |
| Management's remuneration borne by the immediate holding company | 30(a) | – | 2,337 |
| | | 465,749 | 278,251 |
| Decrease in inventories | | 84 | 209 |
| Increase in trade receivables | | (345,270) | (213,026) |
| Decrease/(increase) in prepayments, other receivables and other assets | | (336,366) | 149,506 |
| Decrease/(increase) in other non-current assets | | (2,023) | 1,908 |
| Increase in restricted cash | | (371) | (1,278) |
| Increase in trade payables | | 260,917 | 58,908 |
| Increase in contract liabilities | | 53,241 | 107,546 |
| Increase in other payables and accruals | | 124,287 | 59,407 |
| Effect of foreign exchange rate changes, net | | 33,717 | – |
| Cash generated from operations | | 253,965 | 441,431 |
| Interest received | | 12,068 | 3,433 |
| Income tax paid | | (111,950) | (97,430) |
| Net cash flows from operating activities | | 154,083 | 347,434 |

## CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2022

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Loan interest income received | | – | 32,408 |
| Purchase of items of property, plant and equipment | | (59,859) | (34,510) |
| Purchase of items of intangible assets | | (10,694) | (2,723) |
| Proceeds from disposal of items of property, plant and equipment | | 8 | 280 |
| Repayment from related parties | | – | 1,080,992 |
| Acquisition of a subsidiary | 27 | (289,044) | – |
| Net cash flows from/(used in) investing activities | | (359,589) | 1,076,447 |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Repayment of interest-bearing borrowings | | – | (1,080,992) |
| Principal portion of lease payments | 28(b) | (9,214) | (7,848) |
| Interest paid | | (1,583) | (34,677) |
| Dividend paid | | (99,853) | (5,255) |
| Proceeds from issue of shares | 25 | 684,533 | – |
| Share issue expenses | 25 | (13,489) | – |
| Capital contribution from the immediate holding company | 25 | 101,538 | – |
| Capital contribution from non-controlling shareholders | | 3,050 | 7,550 |
| Acquisition of subsidiaries under common control | | – | (19,858) |
| Net cash flows from/(used in) financing activities | | 664,982 | (1,141,080) |
| **NET INCREASE IN CASH AND CASH EQUIVALENTS** | | 459,476 | 282,801 |
| Cash and cash equivalents at beginning of the year | | 553,619 | 270,818 |
| Effect of foreign exchange rate changes, net | | 5,863 | – |
| **CASH AND CASH EQUIVALENTS AT END OF YEAR** | | 1,018,958 | 553,619 |
| **ANALYSIS OF CASH AND CASH EQUIVALENTS** | | | |
| Cash and bank balances as stated in the consolidated statements of financial position and statement of cash flows | 22 | 1,018,958 | 553,619 |

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 1. CORPORATE AND GROUP INFORMATION

### General information

Jinmao Property Services Co., Limited (the "Company", formerly known as Hanmao Limited and Jinmao Property Development Co., Limited) is a limited liability company incorporated in Hong Kong on 14 September 2020. The registered office of the Company is located at Rooms 4702-03, 47/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong.

The Company is an investment holding company. During the year, the Company and its subsidiaries (collectively the "Group") were involved in the provision of property management services and value-added services to non-property owners and community value-added services in the People's Republic of China (the "PRC").

The Company's shares became listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") on 10 March 2022.

In the opinion of the Company's directors, the immediate holding company of the Company is China Jinmao Holdings Group Limited ("China Jinmao"), a company incorporated in Hong Kong and its shares are listed on the Stock Exchange. The ultimate holding company of the Company is Sinochem Holdings Corporation Ltd. ("Sinochem Holdings"), a company established in the PRC and a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission in the PRC.

### Information about subsidiaries

Particulars of the Company's subsidiaries are as follows:

| Name | Place and date of registration and place of operations | Registered share capital | Percentage of equity attributable to the Company | | Principal activities |
|---|---|---|---|---|---|
| | | | Direct | Indirect | |
| Sinochem Jinmao Property Management (Beijing) Co., Ltd. ("Jinmao PM")#* | PRC/ Mainland China 16 January 2007 | RMB100,000,000 | 100 | – | Property management |
| Jinmao (Shanghai) Property Management Co., Ltd.#** | PRC/ Mainland China 18 September 1995 | RMB6,630,000 | – | 100 | Property management |
| Nanjing Ninggao International Property Consultancy Co., Ltd.#** | PRC/ Mainland China 23 April 2004 | RMB5,000,000 | – | 100 | Property management |
| Chuangmao Technology (Beijing) Co., Ltd.#** | PRC/ Mainland China 14 February 2020 | RMB10,000,000 | – | 100 | Technology development and services |

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

| Name | Place and date of registration and place of operations | Registered share capital | Percentage of equity attributable to the Company Direct | Percentage of equity attributable to the Company Indirect | Principal activities |
|---|---|---|---|---|---|
| Yuelin (Hangzhou) Real Estate Agents Co., Ltd.#** | PRC/ Mainland China 29 July 2020 | RMB1,000,000 | – | 100 | Real estate brokerage service |
| Jiashan Jiamao City Public Resources Management Co., Ltd.#** | PRC/ Mainland China 9 February 2021 | RMB5,000,000 | – | 49^ | Property management and city operation services |
| Huimao Building Technology (Beijing) Co., Ltd.#** | PRC/ Mainland China 5 March 2021 | RMB20,000,000 | – | 100 | Smart community management |
| Maotong Property Management (Shanghai) Co., Ltd.#** | PRC/ Mainland China 8 March 2021 | RMB2,000,000 | – | 100 | Property management |
| Zhoushan Dongda Jinmao Urban Property Services Co., Ltd.#** | PRC/ Mainland China 19 July 2021 | RMB5,000,000 | – | 49^ | Property management and city operation services |
| Zhejiang Zhonglan Xinmao Park Management Co., Ltd.#** | PRC/ Mainland China 19 August 2021 | RMB10,000,000 | – | 51 | Property management and city operation services |
| Beijing Zijin Xinmao Property Services Co., Ltd.#** | PRC/ Mainland China 30 September 2021 | RMB1,000,000 | – | 51 | Property management |
| Guangdong Tumao Commercial Property Operation Co., Ltd.#** | PRC/ Mainland China 6 December 2021 | RMB5,000,000 | – | 70 | Property management |
| Nanjing Xinmao Asset Management Co., Ltd.#** | PRC/Mainland China 13 December 2021 | RMB5,000,000 | – | 90 | Property management and city operation services |

## 1. CORPORATE AND GROUP INFORMATION (Continued)

### Information about subsidiaries (Continued)

| Name | Place and date of registration and place of operations | Registered share capital | Percentage of equity attributable to the Company Direct | Indirect | Principal activities |
|---|---|---|---|---|---|
| Jinmao Smart Life Service (Chongqing) Co., Ltd.#** | PRC/ Mainland China 21 April 2022 | RMB50,000,000 | – | 100 | Property management |
| Wenzhou Aomao Industrial Operation Service Co., Ltd.#** | PRC/ Mainland China 20 May 2022 | RMB5,000,000 | – | 49^ | Property management |
| Beijing Capital Property Services Limited#** | PRC/ Mainland China 8 May 2012 | RMB100,000,000 | – | 100 | Property management |
| Ningmao Property Service (Ningbo Fenghua) Co., Ltd.#** | PRC/ Mainland China 4 July 2022 | RMB1,000,000 | – | 100 | Property management |
| Jinhua Dongmao City Operation Management Co., Ltd.#** | PRC/ Mainland China 21 November 2022 | RMB5,000,000 | – | 51 | Property management and city operation services |
| Chengdu Wuhou Chengmao Property Service Co., Ltd.#** | PRC/ Mainland China 28 November 2022 | RMB50,000,000 | – | 100 | Property management |

\# The English names of all group companies registered in the PRC represent the best efforts made by the directors of the Company to translate the Chinese names of these companies as they do not have official English names.

* This entity is registered as a wholly-foreign-owned enterprise under the PRC law.

** These entities are registered as limited liability companies under the PRC law.

^ The Group controls the boards of directors of these entities by virtue of its power to cast the majority of votes at the meetings of the respective boards. The rights of shareholders' meetings are all delegated to the meetings of the board except for certain protective rights, and therefore the Group has the power to exercise control over the entities' operating and financing activities.

## 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 Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to the nearest thousand except when otherwise indicated.

### Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries 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.

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

The nature and the impact of the revised HKFRSs that are applicable to the Group are described below:

(a) Amendments to HKFRS 3 replace a reference to the previous *Framework for the Preparation and Presentation of Financial Statements* with a reference to the *Conceptual Framework for Financial Reporting* (the "Conceptual Framework") issued in June 2018 without significantly changing its requirements. The amendments also add to HKFRS 3 an exception to its recognition principle for an entity to refer to the Conceptual Framework to determine what constitutes an asset or a liability. The exception specifies that, for liabilities and contingent liabilities that would be within the scope of HKAS 37 or HK(IFRIC)-Int 21 if they were incurred separately rather than assumed in a business combination, an entity applying HKFRS 3 should refer to HKAS 37 or HK(IFRIC)-Int 21 respectively instead of the Conceptual Framework. Furthermore, the amendments clarify that contingent assets do not qualify for recognition at the acquisition date. The Group has applied the amendments prospectively to business combinations that occurred on or after 1 January 2022. As there were no contingent assets, liabilities and contingent liabilities within the scope of the amendments arising in the business combination that occurred during the period, the amendments did not have any impact on the financial position and performance of the Group.

(b) Amendments to HKAS 16 prohibit an entity from deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling any such items, and the cost of those items as determined by HKAS 2 *Inventories*, in profit or loss. The Group has applied the amendments retrospectively to items of property, plant and equipment made available for use on or after 1 January 2021. Since there was no sale of items produced while making the property, plant and equipment available for use, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 37 clarify that for the purpose of assessing whether a contract is onerous under HKAS 37, the cost of fulfilling the contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract include both the incremental costs of fulfilling that contract (e.g., direct labour and materials) and an allocation of other costs that relate directly to fulfilling that contract (e.g., an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract as well as contract management and supervision costs). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract. The Group has applied the amendments prospectively to contracts for which it has not yet fulfilled all its obligations at 1 January 2022 and no onerous contracts were identified. Therefore, the amendments did not have any impact on the financial position or performance of the Group.

## 2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (Continued)

(d) *Annual Improvements to HKFRSs 2018-2020* sets out amendments to HKFRS 1, HKFRS 9, Illustrative Examples accompanying HKFRS 16, and HKAS 41. Details of the amendments that are applicable to the Group are as follows:

- HKFRS 9 *Financial Instruments*: clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. The Group has applied the amendment prospectively from 1 January 2022. As there was no modification of the Group's financial liabilities during the period, the amendment did not have any impact on the financial position or performance of the Group.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

| | |
|---|---|
| Amendments to HKFRS 10 and HKAS 28 (2011) | *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3] |
| Amendments to HKFRS 16 | *Lease Liability in a Sale and Leaseback*[2] |
| HKFRS 17 | *Insurance Contracts*[1] |
| Amendments to HKFRS 17 | *Insurance Contracts*[1,5] |
| Amendment to HKFRS 17 | *Initial Application of HKFRS 17 and HKFRS 9 – Comparative Information*[6] |
| Amendments to HKAS 1 | *Classification of Liabilities as Current or Non-current* (the "2020 Amendments")[2,4] |
| Amendments to HKAS 1 | *Non-current Liabilities with Covenants* (the "2022 Amendments")[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 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

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

Further information about those HKFRSs that are expected to be applicable to the Group is described below.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss resulting from a downstream transaction when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively to sale and leaseback transactions entered into after the date of initial application of HKFRS 16 (i.e., 1 January 2019). Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Classification of Liabilities as Current or Non-current* clarify the requirements for classifying liabilities as current or non-current, in particular the determination over whether an entity has a right to defer settlement of the liabilities for at least 12 months after the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement of the liability. The amendments also clarify the situations that are considered a settlement of a liability. In 2022, the HKICPA issued the 2022 Amendments to further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. In addition, the 2022 Amendments require additional disclosures by an entity that classifies liabilities arising from loan arrangements as non-current when it has a right to defer settlement of those liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period. The amendments are effective for annual periods beginning on or after 1 January 2024 and shall be applied retrospectively. Earlier application is permitted. An entity that applies the 2020 Amendments early is required to apply simultaneously the 2022 Amendments, and vice versa. The Group is currently assessing the impact of the amendments and whether existing loan agreements may require revision. Based on a preliminary assessment, the amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 1 *Disclosure of Accounting Policies* require entities to disclose their material accounting policy information rather than their significant accounting policies. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. Amendments to HKFRS Practice Statement 2 provide non-mandatory guidance on how to apply the concept of materiality to accounting policy disclosures. Amendments to HKAS 1 are effective for annual periods beginning on or after 1 January 2023 and earlier application is permitted. Since the guidance provided in the amendments to HKFRS Practice Statement 2 is non-mandatory, an effective date for these amendments is not necessary. The Group is currently revisiting the accounting policy disclosures to ensure consistency with the amendments.

## 2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

Amendments to HKAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies. Accounting estimates are defined as monetary amounts in financial statements that are subject to measurement uncertainty. The amendments also clarify how entities use measurement techniques and inputs to develop accounting estimates. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and apply to changes in accounting policies and changes in accounting estimates that occur on or after the start of that period. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

Amendments to HKAS 12 narrow the scope of the initial recognition exception in HKAS 12 so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning obligations. Therefore, entities are required to recognise a deferred tax asset (provided that sufficient taxable profit is available) and a deferred tax liability for temporary differences arising from these transactions. The amendments are effective for annual reporting periods beginning on or after 1 January 2023 and shall be applied to transactions related to leases and decommissioning obligations at the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to the opening balance of retained profits or other component of equity as appropriate at that date. In addition, the amendments shall be applied prospectively to transactions other than leases and decommissioning obligations. Earlier application is permitted. The amendments are not expected to have any significant impact on the Group's financial statements.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

### Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

The Group determines that it has acquired a business when the acquired set of activities and assets includes an input and a substantive process that together significantly contribute to the ability to create outputs.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of the acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Business combinations and goodwill (Continued)

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

### Fair value measurement

The Group measures its investment properties at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Fair value measurement (Continued)

All assets and liabilities for which fair value is measured or disclosed in the financial information are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial information on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

### Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, deferred tax assets, financial assets and investment properties), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is accounted for in accordance with the relevant accounting policy for that revalued asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Related parties

A party is considered to be related to the Group if:

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

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

(ii) has significant influence over the Group; or

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

or

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

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

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

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

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

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

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

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

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

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Property, plant and equipment and depreciation

Items of property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on a straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

| | |
|---|---|
| Plant and machinery | 9% to 33% |
| Leasehold improvements | 9% to 50% |
| Furniture, fixtures and office equipment | 9% to 20% |
| Motor vehicles | 18% to 25% |

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

### Investment properties

Investment properties are interests in land and buildings (including the leasehold property held as a right-of-use asset which would otherwise meet the definition of an investment property) held to earn rental income and/or for capital appreciation, rather than for use in the production or supply of goods or services or for administrative purposes; or for sale in the ordinary course of business. Such properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the end of the reporting period.

Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of the retirement or disposal.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated life of 1 to 5 years.

Contractual right is stated at cost less any impairment loss and is amortised on the straight-line basis over its estimated life of 12 years.

### Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

#### Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets. At inception or on reassessment of a contract that contains a lease component and non-lease component(s), the Group adopts the practical expedient not to separate non-lease component(s) and to account for the lease component and the associated non-lease component(s) (e.g., property management services for leases of properties) as a single lease component.

*(a) Right-of-use assets*

Right-of-use assets are recognised at the commencement date of the lease (that is the date the underlying asset is available for use). Right-of-use assets (related to the office properties and staff quarters) are measured at cost, less any accumulated depreciation and any impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Where applicable, the cost of a right-of-use asset also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located. Right-of-use assets are depreciated and amortised on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets as follows:

| | |
|---|---|
| Office properties and staff quarters | 2 to 5 years |
| Office equipment | 2 to 5 years |

If ownership of the leased asset transfers to the Group by the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

#### Group as a lessee (Continued)

*(b) Lease liabilities*

Lease liabilities are recognised at the commencement date of the lease at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate the lease. The variable lease payments that do not depend on an index or a rate are recognised as an expense in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in future lease payments arising from a change in an index or rate, a change in the lease term, a change in the in-substance fixed lease payments or a change in assessment to purchase the underlying asset.

*(c) Short-term leases and leases of low-value assets*

The Group applies the short-term lease recognition exemption to its short-term leases of buildings and equipment (that is those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

#### Group as a lessor

When the Group acts as a lessor, it classifies at lease inception (or when there is a lease modification) each of its leases as either an operating lease or a finance lease.

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. When a contract contains lease and non-lease components, the Group allocates the consideration in the contract to each component on a relative stand-alone selling price basis. Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Leases that transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, are accounted for as finance leases.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Leases (Continued)

**Group as a lessor (Continued)**

When the Group is an intermediate lessor, a sublease is classified as a finance lease or operating lease with reference to the right-of-use asset arising from the head lease. If the head lease is a short-term lease to which the Group applies the on-balance sheet recognition exemption, the Group classifies the sublease as an operating lease.

### Investments and other financial assets

**Initial recognition and measurement**

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income ("OCI"), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component, the Group initially measures a financial asset at its fair value, plus in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under HKFRS 15 in accordance with the policies set out for "Revenue recognition" below.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Group's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows, while financial assets classified and measured at fair value through other comprehensive income are held within a business model with the objective of both holding to collect contractual cash flows and selling. Financial assets which are not held within the aforementioned business models are classified and measured at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Investments and other financial assets (Continued)

#### Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

#### Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

### Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

#### General approach

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

At each reporting date, the Group assesses whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and considers reasonable and supportable information that is available without undue cost or effort, including historical and forward-looking information.

In certain cases, the Group may consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial assets at amortised cost are subject to impairment under the general approach and they are classified within the following stages for measurement of ECLs except for trade receivables which apply the simplified approach as detailed below.

Stage 1 – Financial instruments for which credit risk has not increased significantly since initial recognition and for which the loss allowance is measured at an amount equal to 12-month ECLs

Stage 2 – Financial instruments for which credit risk has increased significantly since initial recognition but that are not credit-impaired financial assets and for which the loss allowance is measured at an amount equal to lifetime ECLs

Stage 3 – Financial assets that are credit-impaired at the reporting date (but that are not purchased or originated credit-impaired) and for which the loss allowance is measured at an amount equal to lifetime ECLs

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Impairment of financial assets (Continued)

#### Simplified approach

For trade receivables that do not contain a significant financing component or when the Group applies the practical expedient of not adjusting the effect of a significant financing component, the Group applies the simplified approach in calculating ECLs. Under the simplified approach, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

### Financial liabilities

#### Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as loans and borrowings or payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade payables, other payables and accruals, lease liabilities and interest-bearing borrowings.

#### Subsequent measurement

The subsequent measurement of financial liabilities depends on their classification as follows:

#### Financial liabilities at amortised cost

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on the estimated selling prices less any estimated costs to be incurred to completion and disposal.

### Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statements of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash, which are not restricted as to use.

### Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and tax laws that have been enacted or substantively enacted by the end of each of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, and the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Income tax (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of each of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

### Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the costs, for which it is intended to compensate, are expensed.

### Revenue recognition

#### Revenue from contracts with customers

The Group provides property management services, value-added services to non-property owners and community value-added services to property developers, property owners or tenants, property owners' associations or residents. Revenue from contracts with customers is recognised when control of goods or services is transferred to the customers at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

When the consideration in a contract includes a variable amount, the amount of consideration is estimated to which the Group will be entitled in exchange for transferring the goods or services to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved.

When the contract contains a financing component which provides the customer with a significant benefit of financing the transfer of goods or services to the customer for more than one year, revenue is measured at the present value of the amount receivable, discounted using the discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. When the contract contains a financing component which provides the Group with a significant financial benefit for more than one year, revenue recognised under the contract includes the interest expense accreted on the contract liability under the effective interest method. For a contract where the period between the payment by the customer and the transfer of the promised goods or services is one year or less, the transaction price is not adjusted for the effects of a significant financing component, using the practical expedient in HKFRS 15.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue recognition (Continued)

#### Revenue from contracts with customers (Continued)

(i) Property management services mainly include security, cleaning, greening, repair and maintenance and file management services to owners or tenants of properties. For property management services, the Group bills a fixed amount for services provided on a monthly basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed. The Group recognises the service fee received or receivable as its revenue over time in the period in which the customer simultaneously receives and consumes the benefits provided by the services performed by the Group.

(ii) Value-added services to non-property owners mainly include (a) sales assistance services, mainly including pre-sale preparation, marketing, cleaning, security and maintenance services at property sales venues and display units, (b) consultancy services, including preliminary planning and design services, construction consultancy services, pre-delivery services prior to delivery of properties to end buyers (mainly clearing, cleaning, assistance at property delivery venues ("Start-up Services"), and property inspection services and the follow-up with rectification services ("Inspection and Follow-up Services")), post-delivery services (mainly repair and maintenance), and other consultancy services (mainly sales agency services with respect to newly developed properties and carpark spaces). The Group agrees the price for each service with customers upfront and issues monthly or quarterly bills to customers which vary based on the actual level of service completed. Revenue from sales assistance services, construction consultancy services, Start-up Services and post-delivery services is recognised over time, in the amount to which the Group has a right to invoice, because the customer simultaneously receives and consumes the benefits provided by the Group. Revenue from preliminary planning and design consultancy services, Inspection and Follow-up Services and sales agency services is recognised at the point in time when the services are rendered and accepted by the property developers.

(iii) Community value-added services mainly include community space operation services, community living services (mainly housekeeping, cleaning, retail and catering services), real estate agency services with respect to secondary sale or rental transactions of properties, and platform services for interior decoration. Revenue from community space operation services and community living services is recognised when the related services are rendered. Revenue from catering services is recognised at the point in time when control of the food and beverages is transferred to the customers, generally on the acceptance of the food and beverages. Revenue from real estate agency services and platform services for interior decoration is recognised at the point in time when the services are rendered and accepted by the customers.

For property management service income from properties managed on a lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, the Group recognises the fee received or receivable from property owners as its revenue and all related property management costs as its cost of services. For property management service income from properties managed on a commission basis, the Group recognises the revenue, which is calculated by a certain percentage of the total property management fee received or receivable from the properties units on behalf of the property owners, for arranging and monitoring the services as provided by other suppliers to the property owners.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms. Variable lease payments that do not depend on an index or a rate are recognised as income in the accounting period in which they are incurred.

#### Other income

Interest income is recognised on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

### Contract liabilities

A contract liability is recognised when a payment is received or a payment is due (whichever is earlier) from a customer before the Group transfers the related goods or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related goods or services to the customer).

### Employee benefits

#### Pension scheme

The employees of the Group's subsidiaries which operate in Mainland China are required to participate in a central pension scheme operated by the local municipal governments. These subsidiaries are required to contribute a certain portion of their payroll to the central pension scheme. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

### Borrowing costs

Borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

### Dividends

Final dividends are recognised as a liability when they are approved by the shareholders of the Company in a general meeting.

Interim dividends are simultaneously proposed and declared, because the Company's memorandum and articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

## 2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

### Foreign currencies

The financial statements are presented in RMB, while the Company's functional currency is Hong Kong dollar. Each entity in the Group determines its own functional currency and items included in the financial information of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured. The gain or loss arising on translation of a non-monetary item measured at fair value is treated in line with the recognition of the gain or loss on change in fair value of the item (i.e., translation difference on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss is also recognised in other comprehensive income or profit or loss, respectively).

In determining the exchange rate on initial recognition of the related asset, expense or income on the derecognition of a non-monetary asset or non-monetary liability relating to an advance consideration, the date of initial transaction is the date on which the Group initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Group determines the transaction date for each payment or receipt of the advance consideration.

As at the end of the reporting period, the assets and liabilities of the Company and any foreign operations are translated into RMB at the exchange rates prevailing at the end of the reporting period and the profit or loss of the Company is translated into RMB at the exchange rates that approximate to those prevailing at the dates of the transactions. The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of the Company and any foreign operations are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of the Company which arise throughout the year are translated into RMB at the weighted average exchange rates for the year.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial information requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

### Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

#### Provision for expected credit losses ("ECLs") on trade receivables and other receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and other receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e. by service type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the property development sector, the historical default rates are adjusted. At each reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation among historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future. The information about the ECLs on the Group's trade receivables and other receivables is disclosed in notes 20 and 21 to the financial statements.

#### Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

## 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

### Estimation uncertainty (Continued)

#### Leases — Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in a lease, and therefore, it uses an incremental borrowing rate ("IBR") to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group "would have to pay", which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when it needs to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

#### Estimation of fair value of investment properties

In the absence of current prices in an active market for similar leased properties, the Group considers information from discounted cash flow projections based on reliable estimates of future cash flows, supported by the terms of any existing lease and other contracts and (when possible) by external evidence such as current market rents for similar properties in the same location and condition, and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of the cash flows.

The carrying amount of investment properties at 31 December 2022 was RMB94,207,000 (2021: RMB9,379,000). Further details, including the key assumptions used for the fair value measurement, are given in note 14 to the financial statements.

#### Useful lives of property, plant and equipment

The Group's management determines the estimated useful lives. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. Management will increase the depreciation charge where useful lives are less than previously estimated lives, or will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. Periodic review could result in a change of depreciable lives and therefore depreciation charge in the future periods.

#### Recognition of deferred tax liabilities for withholding taxes

Deferred tax liabilities are recognised for withholding tax levied on dividends declared to foreign investors from the foreign investment enterprise established in Mainland China. Significant management judgement is required to determine the amount of deferred tax liabilities that can be recognised, based upon the likely dividends declared. Further details are contained in note 18 to the financial statements.

#### Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill at 31 December 2022 was RMB249,122,000 (2021: Nil). Further details are given in note 16.

## 4. OPERATING SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services, value-added services to non-property owners, community value-added services. Information reported to the Group's chief operating decision maker, for the purpose of resource allocation and performance assessment, focuses on the operating results of the Group as a whole as the Group's resources are integrated and no discrete operating segment information is available. Accordingly, no operating segment information is presented.

### Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in Mainland China, and the non-current assets of the Group are located in Mainland China.

### Information about major customers

For the year ended 31 December 2022, RMB710,824,000 (2021: RMB525,971,000) of revenue was derived from the ultimate holding company and its subsidiaries. Other than the revenue from the ultimate holding company and its subsidiaries, no revenue derived from sales to a single customer or a group of customers under common control amounted to 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: Nil).

## 5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| *Revenue from contracts with customers* | 2,429,290 | 1,509,746 |
| *Revenue from other sources* | | |
| Gross rental income from investment properties operating leases: | | |
| Fixed lease payments | 6,745 | 5,779 |
| | 2,436,035 | 1,515,525 |

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers

#### (a) Disaggregated revenue information

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Types of services** | | |
| Property management services | 1,206,859 | 823,229 |
| Value-added services to non-property owners | 584,619 | 506,724 |
| Community value-added services | 637,812 | 179,793 |
| Total revenue from contracts with customers | 2,429,290 | 1,509,746 |
| **Timing of revenue recognition** | | |
| Revenue from contracts with customers recognised over time | 1,866,647 | 1,343,506 |
| Revenue from contracts with customers recognised at a point in time | 562,643 | 166,240 |
| Total | 2,429,290 | 1,509,746 |

*Contract liabilities*

The Group recognised the following revenue-related contract liabilities:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Third parties | 333,148 | 290,680 |
| Related parties *(note 30)* | 37,225 | 23,257 |
| Contract liabilities | 370,373 | 313,937 |

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2022 was mainly due to the increase in short term advances received from customers in relation to the provision of property management services at the end of the year.

## 5. REVENUE, OTHER INCOME AND GAINS (Continued)

### Revenue from contracts with customers (Continued)

#### (a) Disaggregated revenue information (Continued)

*Contract liabilities (Continued)*

The following table shows the revenue related to carrying forward contract liabilities recognised during the years ended 31 December 2022 and 2021:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Revenue recognised that was included in the contract liability balance at the beginning of the reporting period: | 303,914 | 205,447 |

#### (b) Performance obligations

Information about the Group's performance obligations is summarised below:

For residential property management services and non-residential property management services, the Group recognises revenue in the amount that equals to the rights to invoices which corresponds directly with the value to the customers of the Group's performance to date. The Group has elected the practical expedient of not to disclose the remaining performance obligations for these types of contracts because the performance obligation is part of a contract that has an original expected duration of one year or less, and there was unsatisfied performance obligation at the end of the respective periods.

An analysis of other income and gains is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Other income and gains** | | |
| Fair value gain on investment properties | 18,356 | – |
| Bank interest income | 12,068 | 3,433 |
| Loan interest income | – | 32,408 |
| Tax incentives on value-added tax | 8,523 | 7,042 |
| Government grants* | 6,168 | 2,102 |
| Others | 959 | 527 |
| | 46,074 | 45,512 |

* Various government grants have been received from the relevant authorities for the Group's businesses conducted in certain cities in Mainland China. There are no unfulfilled conditions or contingencies relating to these grants.

## 6. PROFIT BEFORE TAX

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

| | Notes | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|---|
| Cost of services provided | | 1,621,060 | 1,045,491 |
| Cost of goods sold | | 81,105 | – |
| Depreciation of property, plant and equipment | 13 | 18,121 | 9,631 |
| Depreciation of right-of-use assets | 15(b) | 10,972 | 9,253 |
| Amortisation of intangible assets | 17 | 10,968 | 3,102 |
| Listing expenses | | 12,644 | 16,048 |
| Auditors' remuneration | | 3,200 | 254 |
| Fair value loss/(gain) on investment properties | 14 | (18,356) | 1,211 |
| Loss on disposal of items of property, plant and equipment, net* | | 274 | 510 |
| Penalties*^ | | 42 | 3,384 |
| Employee benefit expense (excluding directors' and chief executive's remuneration *(note 8)*): | | | |
| Wages and salaries | | 491,813 | 385,251 |
| Pension scheme contributions | | 42,912 | 35,243 |
| Equity-settled share option expense | | (729) | 1,237 |
| | | 533,996 | 421,731 |
| Foreign exchange loss* | | 26,375 | – |
| Impairment losses/(write-back of impairment losses) of financial assets*: | | | |
| – Trade receivables | 20 | 10,695 | 2,262 |
| – Other receivables | 21 | (2,411) | 1,831 |
| Rental expense | | | |
| Short-term leases and low-value leases | 15(b) | 10,845 | 9,663 |
| Impairment of inventories* | | 48 | 467 |

* These items are included in "Other expenses, net" in the consolidated statements of profit or loss.

^ The penalties for the year ended 31 December 2021 were the fines charged by relevant local government authorities for unauthorised mark-up of electricity fee charged to the tenants and property owners of the Group.

## 7. FINANCE COSTS

An analysis of finance costs is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Interest on other borrowings | – | 32,737 |
| Interest on lease liabilities *(note 15(b))* | 1,583 | 970 |
| | 1,583 | 33,707 |

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Fees: | | |
| Directors | 516 | – |
| Other emoluments: | | |
| Salaries, allowances, benefits in kind and bonuses | 3,016 | 3,345 |
| Equity-settled share option expense* | 341 | 409 |
| Pension scheme contributions | 428 | 57 |
| | 3,785 | 3,811 |

* During the years ended 31 December 2016 and 31 December 2019, Mr. Xie Wei was granted share options, in respect of his services to the Group and China Jinmao Group, under the share option scheme of China Jinmao Group. The fair value of such options, which has been recognised in profit or loss over the vesting period, was determined as at the date of grant and the equity-settled share option expense included in the financial statements for the current year is included in the above directors' and chief executive's remuneration disclosures.

### (a) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Dr. Chen Jieping | 172 | – |
| Dr. Han Jian | 172 | – |
| Mr. Sincere Wong | 172 | – |
| | 516 | – |

There were no other emoluments payable to the independent non-executive directors during the year (2021: Nil).

## 8. DIRECTORS' AND CHIEF EXECUTIVE'S REMUNERATION (Continued)

### (b) Executive directors

(i) Mr. Xie Wei was appointed as an executive director and the chief executive officer of the Company on 26 August 2021. Certain emoluments of Mr. Xie Wei were paid by China Jinmao Group and recorded in profit or loss of the Group in relation to his services rendered to the Group for the years ended 31 December 2022 and 2021. During the year ended 31 December 2022, the remuneration paid to him included fees of nil, salaries, allowances, benefits in kind and bonus of RMB1,732,000, equity-settled share option expense of RMB228,000, and pension scheme contributions of RMB140,000. During the year ended 31 December 2021, the remuneration paid to him included fees of nil, salaries, allowances, benefits in kind and bonus of RMB2,311,000, equity-settled share option expense of RMB245,000, and pension scheme contributions of RMB26,000.

(ii) Ms. Zhou Liye was appointed as an executive director of the Company on 26 August 2021. The emoluments of Ms. Zhou Liye before her appointment as executive director of the Company were borne by China Jinmao Group as she did not provide services to the Group for such period. During the year ended 31 December 2022, the remuneration paid to her included fees of nil, salaries, allowances, benefits in kind and bonus of RMB1,284,000, equity-settled share option expense of RMB113,000, and pension scheme contributions of RMB288,000. During the year ended 31 December 2021, the remuneration paid to her included fees of nil, salaries, allowances, benefits in kind and bonus of RMB1,034,000, equity-settled share option expense of RMB164,000, and pension scheme contributions of RMB31,000.

(iii) The first director of the Company was Mr. Li Congrui, who was appointed on 14 September 2020 and resigned with effect from 26 August 2021. The emoluments of Mr. Li Congrui were borne by China Jinmao Group as he did not provide services to the Group during the year ended 31 December 2021.

### (c) Non-executive directors

Mr. Jiang Nan, Ms. He Yamin and Ms. Qiao Xiaojie were appointed as non-executive directors of the Company on 26 August 2021. There was no emolument payable to the non-executive directors during the years ended 31 December 2022 and 2021.

No directors waived any emoluments during the years ended 31 December 2022 and 2021.

## 9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included two directors (2021: one director), details of whose remuneration are set out in note 8 above. Details of the remuneration for the year of the five highest paid employees of the Company are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Salaries, allowances, benefits in kind and bonuses | 8,916 | 8,743 |
| Equity-settled share option expense | 513 | 736 |
| Pension scheme contributions | 841 | 242 |
| | 10,270 | 9,721 |

The number of five highest paid employees whose remuneration fell within the following bands is as follows:

| | Number of employees | |
|---|---|---|
| | 2022 | 2021 |
| HK$1,500,001 to HK$2,000,000 | 2 | 2 |
| HK$2,000,001 to HK$2,500,000 | 1 | 2 |
| HK$2,500,001 to HK$3,000,000 | 1 | 1 |
| HK$3,000,001 to HK$3,500,000 | 1 | – |
| | 5 | 5 |

During the year ended 31 December 2022, no highest paid employees waived or agreed to waive any remuneration (2021: Nil).

In prior years, share options were granted to certain non-director and non-chief executive highest paid employees in respect of their services to the Group, under the share option scheme of China Jinmao Group. The fair value of such options, which has been recognised in the statement of profit or loss over the vesting period, was determined as at the date of grant and the amounts included in the financial statements for the years ended 31 December 2022 and 2021 are included in the above non-director and non-chief executive highest paid employees' remuneration disclosures.

## 10. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. The Company is not liable for income tax as it did not generate any assessable profits arising in Hong Kong during the year.

Except for one (2021: Nil) PRC subsidiary which is located in western cities and subject to a preferential income tax rate of 15%, the income tax provision of the Group in respect of its operation in Mainland China was calculated at the tax rates of 25% (2021: 25%) on the assessable profits for the reporting period, if applicable, based on the existing legislation, interpretations and practice in respect thereof.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Current | 104,210 | 71,541 |
| Deferred (*note 18*) | 680 | (2,417) |
| Total tax charge for the year | 104,890 | 69,124 |

A reconciliation of the tax expense applicable to profit before tax at the statutory rate for the jurisdictions in which the Company's subsidiaries are domiciled to the tax charge for the year is as follows:

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| | Hong Kong<br>RMB'000 | the PRC<br>RMB'000 | Total<br>RMB'000 | Hong Kong<br>RMB'000 | the PRC<br>RMB'000 | Total<br>RMB'000 |
| Profit/(loss) before tax | (52,654) | 498,965 | 446,311 | (15,312) | 263,447 | 248,135 |
| Tax at the statutory tax rate | (8,688) | 124,741 | 116,053 | (2,526) | 65,862 | 63,336 |
| Tax effect of preferential tax rates | – | (19,937) | (19,937) | – | (587) | (587) |
| Adjustments in respect of current tax of previous years | – | – | – | – | (201) | (201) |
| Income not subject to tax | (10) | – | (10) | – | – | – |
| Expenses not deductible for tax | 8,698 | 173 | 8,871 | 2,526 | 2,918 | 5,444 |
| Tax losses utilised from previous periods | – | (99) | (99) | – | – | – |
| Tax losses not recognised | – | 12 | 12 | – | 1,132 | 1,132 |
| Tax charge for the year | – | 104,890 | 104,890 | – | 69,124 | 69,124 |

## 11. DIVIDENDS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Proposed final – HK17 cents (2021: Nil) per ordinary share | 133,894 | – |

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

## 12. 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 884,611,036 (2021: 800,000,000) in issue during the year, as adjusted to reflect those 799,999,998 ordinary shares of the Company issued under the bonus issue occurred on 9 March 2022 (note 25(c)), as if the issuance of these additional shares under the bonus issue had been completed throughout the years ended 31 December 2022 and 2021.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Earnings** | | |
| Profit attributable to ordinary equity holders of the parent used in the basic earnings per share calculation | 336,002 | 177,977 |

| | Number of shares | |
|---|---|---|
| | 2022 | 2021 |
| **Shares** | | |
| Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation | 884,611,036 | 800,000,000 |

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

## 13. PROPERTY, PLANT AND EQUIPMENT

| | Plant and machinery RMB'000 | Leasehold improvements RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2022** | | | | | |
| At 1 January 2022: | | | | | |
| Cost | 20,506 | 21,246 | 38,266 | 1,312 | 81,330 |
| Accumulated depreciation | (4,909) | (4,732) | (16,170) | (815) | (26,626) |
| Net carrying amount | 15,597 | 16,514 | 22,096 | 497 | 54,704 |
| At 1 January 2022, net of accumulated depreciation | 15,597 | 16,514 | 22,096 | 497 | 54,704 |
| Additions | 1,799 | 41,490 | 9,890 | 518 | 53,697 |
| Acquisition of a subsidiary *(note 27)* | 509 | – | – | – | 509 |
| Disposals | (205) | – | (58) | (19) | (282) |
| Depreciation provided during the year | (4,068) | (6,239) | (7,367) | (447) | (18,121) |
| At 31 December 2022, net of accumulated depreciation | 13,632 | 51,765 | 24,561 | 549 | 90,507 |
| At 31 December 2022: | | | | | |
| Cost | 22,110 | 62,736 | 45,901 | 1,804 | 132,551 |
| Accumulated depreciation | (8,478) | (10,971) | (21,340) | (1,255) | (42,044) |
| Net carrying amount | 13,632 | 51,765 | 24,561 | 549 | 90,507 |

## 13. PROPERTY, PLANT AND EQUIPMENT (Continued)

| | Plant and machinery RMB'000 | Leasehold improvements RMB'000 | Furniture, fixtures and office equipment RMB'000 | Motor vehicles RMB'000 | Total RMB'000 |
|---|---|---|---|---|---|
| **31 December 2021** | | | | | |
| At 1 January 2021: | | | | | |
| Cost | 12,849 | 9,140 | 28,988 | 991 | 51,968 |
| Accumulated depreciation | (2,977) | (2,628) | (12,015) | (733) | (18,353) |
| Net carrying amount | 9,872 | 6,512 | 16,973 | 258 | 33,615 |
| At 1 January 2021, net of accumulated depreciation | 9,872 | 6,512 | 16,973 | 258 | 33,615 |
| Additions | 7,842 | 13,181 | 10,132 | 355 | 31,510 |
| Disposals | (28) | (412) | (321) | (29) | (790) |
| Depreciation provided during the year | (2,089) | (2,767) | (4,688) | (87) | (9,631) |
| At 31 December 2021, net of accumulated depreciation | 15,597 | 16,514 | 22,096 | 497 | 54,704 |
| At 31 December 2021: | | | | | |
| Cost | 20,506 | 21,246 | 38,266 | 1,312 | 81,330 |
| Accumulated depreciation | (4,909) | (4,732) | (16,170) | (815) | (26,626) |
| Net carrying amount | 15,597 | 16,514 | 22,096 | 497 | 54,704 |

## 14. INVESTMENT PROPERTIES

| | Leased properties | |
|---|---|---|
| | **2022 RMB'000** | 2021 RMB'000 |
| Carrying amount at 1 January | **9,379** | 10,590 |
| Additions | **66,472** | – |
| Net gain/(loss) from a fair value adjustment (*note 6*) | **18,356** | (1,211) |
| Carrying amount at 31 December | **94,207** | 9,379 |

## 14. INVESTMENT PROPERTIES (Continued)

### (a) Valuation processes of the Group

The Group's investment properties are carpark spaces and commercial property situated in Mainland China. The Group measures its investment properties at fair value. The Group's investment properties were revalued on 31 December 2022 based on valuations performed by Beijing Zhuoxindahua Appraisal Co., Ltd., an independent and professionally qualified valuer, at RMB94,207,000 (2021: RMB9,379,000).

The investment properties are leased to third parties under operating leases, further summary details of which are included in note 15 to the financial statements.

### (b) Valuation techniques

The valuation methodology adopted in valuation is the discounted cash flow method.

Under the discounted cash flow method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a property interest. A market-derived discount rate is applied to the projected cash flow in order to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related reletting, redevelopment or refurbishment. The appropriate duration is driven by market behaviour that is a characteristic of the class of property. The periodic cash flow is estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance costs, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

A significant increase (decrease) in the estimated rental value and the market rent growth rate per annum in isolation would result in a significant increase (decrease) in the fair value of the investment properties. A significant increase (decrease) in the discount rate in isolation would result in a significant decrease (increase) in the fair value of the investment properties. Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rental growth per annum and the discount rate.

## 14. INVESTMENT PROPERTIES (Continued)

### (c) Information about fair value measurements using significant unobservable inputs (Level 3)

| | | 2022 | 2021 |
|---|---|---|---|
| Property 1 | Estimated rental value | | |
| Carpark spaces | (RMB per square metre per annum) | 412-442 | 390-417 |
| | Rental growth per annum | 3%-6% | (12%)-3% |
| | Discount rate | 6.2% | 6.4% |
| Property 2 | Estimated rental value | | |
| Commercial property | (RMB per square metre per annum) | 316-563 | – |
| | Rental growth per annum | (1%)-11% | – |
| | Discount rate | 6.5% | – |

**(d)** During the reporting period, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

## 15. LEASES

### The Group as a lessee

The Group has lease contracts for various items of office properties and staff quarters, office equipment and other equipment used in its operations. Leases of office properties and staff quarters and office equipment generally have lease terms between 2 and 5 years. Other equipment generally has lease terms of 12 months or less and/or is individually of low value. Generally, the Group is restricted from assigning and subleasing the leased assets outside the Group.

## 15. LEASES (Continued)

### The Group as a lessee (Continued)

**(a) Right-of-use assets and lease liabilities**

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follows:

| | Right-of-use assets Office properties and staff quarters and office equipment RMB'000 | Lease liabilities RMB'000 |
|---|---|---|
| At 1 January 2021 | 15,970 | 17,796 |
| New leases | 25,756 | 24,366 |
| Depreciation charge | (9,253) | – |
| Accretion of interest recognised during the year | – | 970 |
| Payments | – | (8,818) |
| At 31 December 2021 | 32,473 | 34,314 |
| At 1 January 2022 | 32,473 | 34,314 |
| New leases | 6,170 | 75,085 |
| Acquisition of a subsidiary *(note 27)* | 1,777 | 1,484 |
| Depreciation charge | (10,972) | – |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | (1,118) | (1,130) |
| Accretion of interest recognised during the year | – | 1,583 |
| Payments | – | (10,797) |
| At 31 December 2022 | 28,330 | 100,539 |

## 15. LEASES (Continued)

### The Group as a lessee (Continued)

**(a) Right-of-use assets and lease liabilities (Continued)**

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Lease liabilities analysed into: | | |
| Current portion | 15,664 | 8,972 |
| Non-current portion | 84,875 | 25,342 |
| Total | 100,539 | 34,314 |

**(b)** The amounts recognised in profit or loss in relation to leases are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Interest on lease liabilities *(note 7)* | 1,583 | 970 |
| Depreciation charge of right-of-use assets *(note 6)* | 10,972 | 9,253 |
| Expense relating to short-term leases and leases of low-value assets (*note 6*) | 10,845 | 9,663 |
| Total amount recognised in profit or loss | 23,400 | 19,886 |

**(c)** The total cash outflow for leases is disclosed in note 28(c) to the financial statements.

*The Group as a lessor*

The Group leases its investment properties (note 14) consisting of car park spaces and commercial property in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to provide for periodic rent adjustments according to the then prevailing market conditions. Rental income recognised by the Group during the year was RMB6,745,000 (2021: RMB5,779,000), details of which are included in note 5 to the financial statements.

## 16. GOODWILL

| | RMB'000 |
|---|---|
| Cost and net carrying amount at 1 January 2021, 31 December 2021 and 1 January 2022 | – |
| Acquisition of a subsidiary *(note 27)* | 249,122 |
| Cost and net carrying amount at 31 December 2022 | 249,122 |
| At 31 December 2022: | |
| Cost | 249,122 |
| Accumulated impairment | – |
| Net carrying amount | 249,122 |

## 16. GOODWILL (Continued)

### Impairment testing of goodwill

Goodwill acquired through business combinations is allocated to the following cash-generating unit for impairment testing:

- Beijing Capital Property Services Limited cash-generating unit

The carrying amount of goodwill allocated to the cash-generating unit is as follows:

| | Beijing Capital Property Services Limited cash-generating unit 2022 RMB'000 |
|---|---|
| Carrying amount of goodwill | 249,122 |

#### Beijing Capital Property Services Limited cash-generating unit

The recoverable amount of this cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.98%. The growth rate used to extrapolate the cash flows of the upscale residential and commercial projects cash-generating unit beyond the five-year period is 3%, which was the same as the long term average growth rate of the properties management industry.

Assumptions were used in the value in use calculation of this cash-generating unit for 31 December 2022. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

*Budgeted gross margins* – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

*Discount rates* – The discount rates used are after tax and reflect specific risks relating to the relevant unit.

The values assigned to the key assumptions on market development and discount rates are consistent with external information sources.

## 17. INTANGIBLE ASSETS

| | Contractual right RMB'000 | Computer software RMB'000 | Total RMB'000 |
|---|---|---|---|
| **31 December 2022** | | | |
| At 1 January 2022: | | | |
| Cost | – | 12,004 | 12,004 |
| Accumulated amortisation | – | (5,612) | (5,612) |
| Net carrying amount | – | 6,392 | 6,392 |
| Cost at 1 January 2022, net of accumulated amortisation | – | 6,392 | 6,392 |
| Additions | – | 10,089 | 10,089 |
| Acquisition of a subsidiary *(note 27)* | 86,200 | – | 86,200 |
| Amortisation provided during the year *(note 6)* | (3,877) | (7,091) | (10,968) |
| At 31 December 2022 | 82,323 | 9,390 | 91,713 |
| At 31 December 2022: | | | |
| Cost | 86,200 | 22,093 | 108,293 |
| Accumulated amortisation | (3,877) | (12,703) | (16,580) |
| Net carrying amount | 82,323 | 9,390 | 91,713 |
| **31 December 2021** | | | |
| At 1 January 2021: | | | |
| Cost | – | 9,594 | 9,594 |
| Accumulated amortisation | – | (2,510) | (2,510) |
| Net carrying amount | – | 7,084 | 7,084 |
| Cost at 1 January 2021, net of accumulated amortisation | – | 7,084 | 7,084 |
| Additions | – | 2,410 | 2,410 |
| Amortisation provided during the year *(note 6)* | – | (3,102) | (3,102) |
| At 31 December 2021 | – | 6,392 | 6,392 |
| At 31 December 2021: | | | |
| Cost | – | 12,004 | 12,004 |
| Accumulated amortisation | – | (5,612) | (5,612) |
| Net carrying amount | – | 6,392 | 6,392 |

## 18. DEFERRED TAX ASSETS AND LIABILITIES

The movements in deferred tax liabilities and assets are as follows:

### Deferred tax liabilities

| | Investment properties | Right-of-use assets | Fair value adjustment attributed to acquisition of subsidiary | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | 2,647 | 3,322 | – | 5,969 |
| Deferred tax charged/(credited) to profit or loss during the year | (303) | 3,872 | – | 3,569 |
| At 31 December 2021 and 1 January 2022 | 2,344 | 7,194 | – | 9,538 |
| Acquisition of a subsidiary *(note 27)* | – | 444 | 21,992 | 22,436 |
| Deferred tax charged/(credited) to profit or loss during the year | 21,208 | (357) | (1,411) | 19,440 |
| At 31 December 2022 | 23,552 | 7,281 | 20,581 | 51,414 |

### Deferred tax assets

| | Allowance for impairment | Unrealised profits from intra group transactions | Lease liabilities | Total |
|---|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | 1,621 | 576 | 4,376 | 6,573 |
| Deferred tax credited to profit or loss during the year | 1,140 | 715 | 4,131 | 5,986 |
| At 31 December 2021 and 1 January 2022 | 2,761 | 1,291 | 8,507 | 12,559 |
| Acquisition of a subsidiary *(note 27)* | – | – | 371 | 371 |
| Deferred tax credited to profit or loss during the year | 2,079 | 164 | 16,517 | 18,760 |
| At 31 December 2022 | 4,840 | 1,455 | 25,395 | 31,690 |

## 18. DEFERRED TAX ASSETS AND LIABILITIES (Continued)

### Deferred tax assets (Continued)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statements of financial position. The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Net deferred tax assets recognised in the consolidated statement of financial position | 6,111 | 4,708 |
| Net deferred tax liabilities recognised in the consolidated statements of financial position | (25,835) | (1,687) |
| Net deferred tax asset/(liabilities) | (19,724) | 3,021 |

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China. The requirement is effective from 1 January 2008 and applies to earnings after 31 December 2007. A lower withholding tax rate may be applied if there is a tax treaty between Mainland China and the jurisdiction of the foreign investors. For the Group, the applicable rate is 10%. The Group is therefore liable for withholding taxes on dividends distributed by those subsidiaries established in Mainland China in respect of earnings generated from 1 January 2008.

At 31 December 2022, no deferred tax has been recognised for withholding taxes that would be payable on the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries established in Mainland China. In the opinion of the directors of the Company, the Group's fund will be retained in Mainland China for the expansion of the Group's operation, so it is not probable that these subsidiaries will distribute such earnings in the foreseeable future. The aggregate amounts of temporary differences associated with investments in subsidiaries in Mainland China for which deferred tax liabilities have not been recognised totalled approximately RMB571,524,000 as at 31 December 2022 (2021: RMB199,025,000).

The Group has not recognised deferred tax assets in respect of tax losses arising in the PRC of RMB1,661,000 (2021: RMB5,168,000), that will expire in one to five years, as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

## 19. INVENTORIES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Consumables and spare parts | 4,120 | 4,231 |
| General merchandise | 271 | 292 |
| Total | 4,391 | 4,523 |

## 20. TRADE RECEIVABLES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Related parties *(note 30)* | **401,597** | 281,135 |
| Third parties | **393,153** | 139,225 |
| Trade receivables | **794,750** | 420,360 |
| Less: Allowance for impairment of trade receivables | **(16,188)** | (5,883) |
| | **778,562** | 414,477 |

Trade receivables mainly represent receivables from property management services and other related services to property developers. For trade receivables from property management services, the Group charges property management fees on a monthly or quarterly basis and the payment is generally due upon the issuance of demand notes. For trade receivables from other services to property developers, the Group's trading terms with its customers are mainly on credit and the credit period is generally 90 to 180 days. The Group seeks to maintain strict control over its outstanding receivables. Overdue balances are reviewed regularly by management. Other than trade balances due from Sinochem Holdings and its subsidiaries, the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

The amounts due from the related parties are repayable on credit terms similar to those offered to other major customers of the Group.

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 year | **690,550** | 377,319 |
| 1 to 2 years | **74,873** | 22,743 |
| 2 to 3 years | **6,267** | 11,247 |
| Over 3 years | **6,872** | 3,168 |
| | **778,562** | 414,477 |

## 20. TRADE RECEIVABLES (Continued)

The movements in provision for impairment of trade receivables are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of the year | 5,883 | 3,621 |
| Impairment losses recognised *(note 6)* | 10,695 | 2,262 |
| Amount written off as uncollectible | (390) | – |
| At end of the year | 16,188 | 5,883 |

As at the end of the year, all trade receivables were denominated in RMB, and the fair values of trade receivables approximated to their carrying amounts.

An impairment analysis is performed at each reporting date using a provision matrix to measure expected credit losses. The provision rates are based on days past due for groupings of various customer segments with similar loss patterns (i.e., by customer type). The calculation reflects the probability-weighted outcome, the time value of money and reasonable and supportable information that is available at the reporting date about past events, current conditions and forecasts of future economic conditions.

Set out below is the information about the credit risk exposure on the Group's trade receivables using a provision matrix:

**At 31 December 2022**

| | Third parties – past due | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Related parties | Total |
| Expected credit loss rate | 1.58% | 10.43% | 26.36% | 55.74% | 0.12% | 2.04% |
| Gross carrying amount (RMB'000) | 331,605 | 47,866 | 7,371 | 6,311 | 401,597 | 794,750 |
| Expected credit losses (RMB'000) | (5,249) | (4,993) | (1,943) | (3,518) | (485) | (16,188) |

At 31 December 2021

| | Third parties – past due | | | | | |
|---|---|---|---|---|---|---|
| | Less than 1 year | 1 to 2 years | 2 to 3 years | Over 3 years | Related parties | Total |
| Expected credit loss rate | 1.60% | 4.66% | 20.30% | 73.48% | 0.07% | 1.40% |
| Gross carrying amount (RMB'000) | 113,506 | 16,127 | 7,356 | 2,236 | 281,135 | 420,360 |
| Expected credit losses (RMB'000) | (1,812) | (751) | (1,493) | (1,643) | (184) | (5,883) |

The expected credit loss of trade receivables from related parties was immaterial considering there were no recent history of default and no significant credit risks of the related parties of the Group.

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| *Current* | | |
| Amounts due from related parties *(note 30)* | 454,311 | 160,377 |
| Prepayments | 59,037 | 17,780 |
| Deposits | 24,187 | 11,688 |
| Advances to employees | 2,414 | 1,531 |
| Other receivables | 43,616 | 32,315 |
| Payments on behalf of residents/tenants | 25,054 | 41,004 |
| Others | 3,811 | 5,979 |
| | 612,430 | 270,674 |
| Impairment allowance | (970) | (3,381) |
| | 611,460 | 267,293 |
| *Non-current* | | |
| Other assets | 1,238 | 2,693 |
| | 1,238 | 2,693 |

Payments on behalf of residents/tenants represent the current accounts with the residents/tenants of communities/properties managed by the Group. Amounts due from related parties mainly represent performance guarantees placed with related parties and receivables in relation to payments made on behalf of related parties. The Group has assessed that the credit risk of the financial assets included in the above balances excluding payments on behalf of residents/tenants and amounts due from related parties has not increased significantly since initial recognition and measured the impairment based on 12-month expected credit loss. The Group considers the historical loss rate and adjusts for forward-looking macro-economic data in calculating the expected credit loss rate. As at 31 December 2021 and 2022, the Group estimated that the expected loss rate and the loss allowance for these receivables were minimal under the 12-month expected loss method.

## 21. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS (Continued)

The movements in provision for impairment of payments on behalf of residents/tenants and amounts due from related parties are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| At beginning of the year | 3,381 | 1,550 |
| Impairment losses/(write-back of impairment losses) recognised in profit or loss *(note 6)* | (2,411) | 1,831 |
| At end of the year | 970 | 3,381 |

Expected credit losses are estimated by applying a loss rate approach with reference to the days past due for groupings of parties with similar loss patterns. The loss rate is adjusted to reflect the current conditions and forecasts of future economic conditions, as appropriate.

The following table provides information about the exposure to credit risk and ECLs for payments on behalf of residents/tenants and amounts due from related parties which are assessed collectively based on an estimated average credit loss rate as at 31 December 2021 and 2022.

| | 31 December 2022 | | | 31 December 2021 | | |
|---|---|---|---|---|---|---|
| Category | Average loss rate | Gross carrying amount<br>RMB'000 | Impairment loss allowance<br>RMB'000 | Average loss rate | Gross carrying amount<br>RMB'000 | Impairment loss allowance<br>RMB'000 |
| Credit-impaired | 0.21% | 471,358 | 970 | 1.72% | 196,160 | 3,381 |

## 22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Cash and bank balances | 1,020,607 | 554,897 |
| Less: Restricted cash | (1,649) | (1,278) |
| Cash and cash equivalents | 1,018,958 | 553,619 |
| Cash and bank balances denominated in RMB | 1,020,607 | 554,897 |

## 22. CASH AND CASH EQUIVALENTS AND RESTRICTED CASH (Continued)

The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

Restricted cash represented cash at bank frozen for performance guarantee deposits and pre-litigation preservation of property.

Included in the Group's cash and cash equivalents were bank balances of RMB115,000,000 as at 31 December 2022 (2021: RMB369,130,000) placed with Sinochem Group Finance Co., Ltd. ("Sinochem Finance"), which is a subsidiary of Sinochem Holdings and a financial institution approved by the People's Bank of China. The interest rates on these deposits ranged from 0.35% to 1.90% (2021: 0.35% to 1.90%) per annum. Further details of the interest income attributable to the deposits placed with Sinochem Finance are set out in note 30 to the financial statements.

## 23. TRADE PAYABLES

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Trade payables | | |
| – Related parties *(note 30)* | **4,629** | 4,440 |
| – Third parties | **451,455** | 166,504 |
| | **456,084** | 170,944 |

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

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Within 1 year | **433,224** | 163,366 |
| 1 to 2 years | **16,578** | 4,106 |
| 2 to 3 years | **3,877** | 532 |
| Over 3 years | **2,405** | 2,940 |
| | **456,084** | 170,944 |

Trade payables are unsecured, interest-free and normally settled within 90 days.

## 24. OTHER PAYABLES AND ACCRUALS

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| Amounts due to related parties *(note 30)* | (i) | **200,557** | 233,107 |
| Receipts on behalf of residents/tenants | | **187,100** | 158,326 |
| Deposits and temporary receipts | | **87,204** | 69,520 |
| Payroll and welfare payables | | **58,504** | 46,844 |
| Other tax payables | | **65,571** | 46,821 |
| Other payables | (ii) | **65,350** | 75,212 |
| | | **664,286** | 629,830 |

*Notes:*

(i) The amounts due to related parties included dividend payable to related parties of RMB18,549,000 as at 31 December 2022 (2021: RMB118,402,000).

(ii) The other payables are unsecured, interest-free and have an average term of three months.

## 25. SHARE CAPITAL

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Issued and fully paid: | | |
| 904,189,000 (2021: 2) ordinary shares | **839,529** | 66,947 |

A summary of movements in the Company's share capital is as follows:

| | Number of shares in issue | Share capital<br>RMB'000 |
|---|---|---|
| At 31 December 2020 and 1 January 2021 | 1 | -* |
| New issue *(note (a))* | 1 | 66,947 |
| At 31 December 2021 and 1 January 2022 | 2 | 66,947 |
| Capital injection from the parent *(note (b))* | – | 101,538 |
| Bonus issue to the parent *(note (c))* | 799,999,998 | – |
| Initial public offering and partial exercise of over-allotment option *(note (d))* | 104,189,000 | 684,533 |
| Share issue expenses | – | (13,489) |
| At 31 December 2022 | 904,189,000 | 839,529 |

* *The amount is less than RMB1,000.*

## 25. SHARE CAPITAL (Continued)

*Notes:*

(a) On 13 April 2021, one ordinary share was allotted and issued as fully paid to China Jinmao to acquire for China Jinmao's 85% equity interest in Jinmao PM, and the issued share capital of the Company was increased to RMB66,947,000.

(b) On 26 January 2022, China Jinmao made a capital injection of HK$125,000,000 (equivalent to RMB101,538,000) to the Company, and the share capital of the Company was increased by the same amount without allotment and issuance of any new shares.

(c) On 9 March 2022, 799,999,998 ordinary shares of the Company were issued for nil consideration to China Jinmao as bonus issue and the number of issued ordinary shares of the Company became 800,000,000 after the bonus issue.

(d) On 10 March 2022, the ordinary shares of the Company were listed on the Stock Exchange, and in connection with public offering, 101,411,500 ordinary shares (before any exercise of the over-allotment option) of the Company were issued through global offering to public and international investors at the offer price of HK$8.14 per share for aggregate cash proceeds before expenses of HK$825,490,000 (equivalent to RMB666,170,000).

On 1 April 2022, the over-allotment option was partially exercised and an aggregate of 2,777,500 shares were issued at the offer price of HK$8.14 per share for aggregate cash proceeds before expenses of HK$22,609,000 (equivalent to RMB18,363,000).

## 26. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statements of changes in equity.

### (a) Merger reserve

The merger reserve of the Group represents the difference between the aggregate of the paid-up share capital of the subsidiaries now comprising the Group and the consideration paid by the Group for the business combination under common control.

"Deemed distribution for acquisition of subsidiaries under common control" was arising from acquisitions of certain subsidiaries ("Acquirees") under common control. During the year ended 31 December 2021, the Group acquired (a) 15% equity interests in Jinmao PM from Beijing Chemsunny Property Co., Ltd., a wholly-owned subsidiary of China Jinmao, at a consideration of RMB1,630,000; (b) 100% equity interests in Jinmao (Shanghai) Property Management Co., Ltd. from China Jin Mao Group Co., Ltd., a wholly-owned subsidiary of China Jinmao, at a consideration of RMB7,890,000; and (c) 15% and 85% equity interests in Chuangmao Technology (Beijing) Co., Ltd. from Beijing Chuangmao Future Information Services Center (Limited Partnership) and Jinmao Huichuang Enterprise Management (Tianjin) Partnership (Limited Partnership), which are both non-wholly-owned subsidiaries of China Jinmao, respectively, at a total consideration of RMB11,964,000. The total consideration of RMB21,484,000 paid or payable for the above transactions was regarded as a deemed distribution to the then equity holders of the Acquirees. Further details of the transactions are included in the Reorganisation as set out in the paragraph headed "Reorganization" in the section headed "History, Reorganization and Corporate Structure" in the prospectus of the Company dated on 25 February 2022.

## 26. RESERVES (Continued)

### (b) Other reserve

The other reserve of the Group represents the contributions from China Jinmao for equity-settled share option expenses related to the share options granted by China Jinmao to certain employees of the Group and of China Jinmao who worked for the Group and for remuneration of a director of the Company settled by a subsidiary of China Jinmao for his service rendered to the Group.

### (c) PRC statutory surplus reserve

In accordance with the PRC Company Law and the articles of association of the Company's subsidiaries established in the PRC, the Group is required to appropriate 10% of its net profit after tax, as determined under the Chinese Accounting Standards, to the statutory surplus funds until the reserve balance reaches 50% of its registered capital. Subject to certain restrictions set out in the relevant PRC regulations and in the articles of association of these subsidiaries, the statutory surplus funds may be used either to offset losses, or to be converted to increase the share capital of the subsidiaries provided that the balance after such conversion is not less than 25% of the registered capital of them. The reserve cannot be used for purposes other than those for which it is created and is not distributable as cash dividends.

## 27. BUSINESS COMBINATION

On 17 June 2022, Jinmao PM and a third party entered into an equity transfer agreement, pursuant to which, Jinmao PM agreed to purchase 100% equity interests in Beijing Capital Property Services Limited (首置物業服務有限公司)("Beijing Capital Services") for a cash consideration of RMB450,000,000, which has been fully paid during the year. The acquisition was made as part of the Group's strategy to expand its upscale residential and commercial projects related properties management service. The transaction was completed on 17 June 2022, and accordingly Beijing Capital Services became a wholly-owned subsidiary of the Group.

## 27. BUSINESS COMBINATION (Continued)

The fair values of the identifiable assets and liabilities of Beijing Capital Services as at the date of acquisition were as follows:

| | Notes | Fair value recognised on acquisition RMB'000 |
|---|---|---|
| Property, plant and equipment | 13 | 509 |
| Intangible assets | 17 | 86,200 |
| Right-of-use assets | 15(a) | 1,777 |
| Other non-current assets | | 288 |
| Cash and bank balances | | 160,956 |
| Trade receivables | | 29,510 |
| Prepayments, other receivables and other current assets | | 1,579 |
| Trade payables | | (24,223) |
| Accruals and other payables | | (22,370) |
| Tax payable | | (9,799) |
| Deferred tax liabilities | | (22,065) |
| Lease liabilities | 15(a) | (1,484) |
| Total identifiable net assets at fair value | | 200,878 |
| Goodwill on acquisition | 16 | 249,122 |
| Satisfied by cash | | 450,000 |

An analysis of the cash flows in respect of the acquisition of a subsidiary is as follows:

| | RMB'000 |
|---|---|
| Cash consideration | (450,000) |
| Cash and bank balances acquired | 160,956 |
| Net outflow of cash and cash equivalents included in cash flows from investing activities | (289,044) |
| Transaction costs of the acquisition included in cash flows from operating activities | (958) |
| | (290,002) |

## 27. BUSINESS COMBINATION (Continued)

Reconciliation of the carrying amount of the Group's goodwill at the beginning and end of the reporting period is presented below:

| | RMB'000 |
|---|---|
| Gross carrying amount and net book value | |
| At 1 January 2022 | – |
| Acquisition of a subsidiary | 249,122 |
| At 31 December 2022 | 249,122 |

No impairment loss of goodwill was incurred during the year ended 31 December 2022.

The fair values and gross contractual amounts of the trade receivables and other receivables as at the date of acquisition amounted to RMB29,510,000 and RMB926,000, respectively. The amount expected to be uncollectible was nil.

The Group incurred transaction costs of RMB958,000 for this acquisition. These transaction costs have been expensed and are included in administrative expenses in the consolidated statement of profit or loss.

Included in the goodwill of RMB249,122,000 recognised above are assembled workforce and synergies between the acquirer and acquiree, which are not recognised separately as they do not meet the criteria for recognition as an intangible asset under HKAS 38 *Intangible Assets*. None of the goodwill recognised is expected to be deductible for income tax purposes.

Since the acquisition, Beijing Capital Services contributed RMB79,382,000 to the Group's revenue and RMB23,688,000 to the consolidated profit for the year ended 31 December 2022.

Had the combination taken place at the beginning of the year, the revenue of the Group and the profit of the Group for the year would have been RMB2,505,226,000 and RMB357,625,000, respectively.

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

### (a) Major non-cash transactions

During the year, the Group had non-cash additions to right-of-use assets, investment properties and lease liabilities of approximately RMB5,861,000 (2021: RMB24,366,000), RMB66,472,000 (2021: Nil) and RMB75,085,000 (2021: RMB24,366,000), respectively, in respect of lease arrangements for buildings.

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

### (b) Changes in liabilities arising from financing activities

The reconciliation of liabilities arising from financing activities is as follows:

**2022**

| | Lease liabilities RMB'000 |
|---|---|
| At 1 January 2022 | 34,314 |
| Changes from financing cash flows | (9,214) |
| New leases | 75,085 |
| Acquisition of a subsidiary | 1,484 |
| Interest expense | 1,583 |
| Interest paid classified as financing cash flows | (1,583) |
| Revision of a lease term arising from a change in the non-cancellable period of a lease | (1,130) |
| At 31 December 2022 | 100,539 |

2021

| | Interest-bearing borrowings RMB'000 | Lease liabilities RMB'000 |
|---|---|---|
| At 1 January 2021 | 1,080,992 | 17,796 |
| Changes from financing cash flows | (1,080,992) | (7,848) |
| New leases | – | 24,366 |
| Interest expense | – | 970 |
| Interest paid classified as financing cash flows | – | (970) |
| At 31 December 2021 | – | 34,314 |

### (c) Total cash outflow for leases

The total cash outflow for leases included in the statement of cash flows is as follows:

| | 2022 RMB'000 | 2021 RMB'000 |
|---|---|---|
| Within operating activities | 10,081 | 10,805 |
| Within financing activities | 10,797 | 8,818 |
| Total | 20,878 | 19,623 |

## 28. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

**(d)** During the year, the Group recorded non-cash expenses of negative RMB388,000 (2021: RMB1,646,000) in respect of management's and staffs' services to the Group under the share option scheme of China Jinmao Group and no management's remuneration was borne by the immediate holding company of the Company (2021: RMB2,337,000).

## 29. COMMITMENTS

At the end of the reporting period, the Group did not have any material capital commitment and Group, as a lessee, had no lease contracts that have not yet commenced as at the end of the reporting period.

## 30. RELATED PARTY TRANSACTIONS

### (1) Transactions with related parties

In addition to the transactions detailed elsewhere in the financial statements, the Group entered into the following transactions with related parties during the year:

(a) Property management service income, value-added service income to non-property owners, community value-added service income, lease expenses, information technology expenses, equity-settled share option expenses, management's remuneration borne by the immediate holding company and interest income.

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| **Property management service income:** | | |
| Other subsidiaries of China Jinmao* | 131,956 | 85,228 |
| Joint ventures of China Jinmao | 11,720 | 11,756 |
| Associates of China Jinmao | 3,169 | 7,262 |
| Other subsidiaries of Sinochem Holdings** | 47,144 | 37,608 |
| Other joint ventures of Sinochem Holdings# | 5,024 | 5,103 |
| Other associates of Sinochem Holdings# | 561 | 563 |
| | 199,574 | 147,520 |
| **Value-added service income to non-property owners:** | | |
| China Jinmao and its other subsidiaries* | 390,860 | 333,688 |
| Joint ventures of China Jinmao | 81,139 | 88,769 |
| Associates of China Jinmao | 51,719 | 64,939 |
| Other subsidiaries of Sinochem Holdings** | 339 | 534 |
| | 524,057 | 487,930 |

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions with related parties (Continued)

(a) (Continued)

| | Notes | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|---|
| **Community value-added service income:** | | | |
| Other subsidiaries of China Jinmao* | | 134,549 | 66,556 |
| Joint ventures of China Jinmao | | 45,238 | 6,353 |
| Associates of China Jinmao | | 34,873 | 4,896 |
| Other subsidiaries of Sinochem** | | 5,976 | 2,357 |
| Other joint ventures of Sinochem Holdings# | | 46 | 2 |
| Other associates of Sinochem Holdings# | | 8 | 8 |
| | | 220,690 | 80,172 |
| **Lease expenses:** | | | |
| Other subsidiaries of China Jinmao* | | 8,988 | 7,136 |
| **Information technology expenses:** | | | |
| Other subsidiaries of China Jinmao* | | 5,558 | 5,549 |
| **Equity-settled share option expenses:** | | | |
| China Jinmao | (i) | (388) | 1,646 |
| **Management's remuneration borne by the immediate holding company:** | | | |
| China Jinmao | (ii) | – | 2,337 |
| **Interest income:** | | | |
| Other subsidiaries of China Jinmao* | (iii) | – | 32,408 |
| Sinochem Finance | (iv) | 154 | 224 |
| | | 154 | 32,632 |

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (1) Transactions with related parties (Continued)

(a) (Continued)

*Notes:*

* Other subsidiaries of China Jinmao are entities that are controlled by China Jinmao, excluding the Group.

** Other subsidiaries of Sinochem Holdings are entities that are controlled by Sinochem Holdings, excluding China Jinmao and its subsidiaries.

\# Other joint ventures and associates of Sinochem Holdings are joint ventures and associates of Sinochem Holdings, excluding the joint ventures and associates of China Jinmao.

(i) In prior years, certain management of the Group and Mr. Xie Wei were granted share options, in respect of their services to the Group and China Jinmao, under the share option scheme of China Jinmao. Ms. Zhou Liye was granted share options in respect of her services to China Jinmao, under the share option scheme of China Jinmao. She joined the Group in May 2021 and the related equity-settled share option expenses were borne by the Group since then. The fair value of such options, which has been recognised in profit or loss of the Group over the vesting period, was determined as at the date of grant.

During the year, the Group reversed the equity-settled share option expense because the service or non-market performance conditions related to certain share options had not been fulfilled and therefore these share options were forfeited.

(ii) Certain emoluments of certain management of the Group and Mr. Xie Wei were paid by China Jinmao Group and recorded in profit or loss of the Group in relation to their services rendered to the Group.

(iii) Interest income from other subsidiaries of China Jinmao was determined at rates of 4.88% to 5.50% per annum in 2021.

(iv) Interest income from Sinochem Finance was at the rates of 0.35% to 1.90% (2021: 0.35% to 1.90%) per annum.

(v) The pricing for other transactions above were determined in accordance with the terms mutually agreed by the contracting parties.

(b) During the years ended 31 December 2022 and 2021, the Group was entitled to use some trademarks of China Jinmao Group for free.

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (2) Outstanding balances with related parties

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Prepayments and receivables from related parties | | |
| Trade receivables | | |
| Other subsidiaries of Sinochem Holdings** | 5,316 | 670 |
| Joint ventures of Sinochem Holdings# | 1,105 | 72 |
| China Jinmao and its other subsidiaries* | 287,294 | 208,131 |
| Joint ventures of China Jinmao | 59,918 | 46,493 |
| Associates of China Jinmao | 47,964 | 25,769 |
| | 401,597 | 281,135 |
| Prepayments and other receivables | | |
| Other subsidiaries of Sinochem Holdings** | 8,220 | 7,894 |
| Joint ventures of Sinochem Holdings# | 60 | 60 |
| Other subsidiaries of China Jinmao* | 355,354 | 128,405 |
| Joint ventures of China Jinmao | 43,508 | 20,030 |
| Associates of China Jinmao | 47,169 | 3,988 |
| | 454,311 | 160,377 |
| Cash and cash equivalents | | |
| Deposits placed with Sinochem Finance *(note 22)* | 115,000 | 369,130 |
| Payables to related parties | | |
| Trade payables | | |
| Other subsidiaries of Sinochem Holdings** | 852 | 107 |
| Other subsidiaries of China Jinmao* | 3,777 | 4,333 |
| | 4,629 | 4,440 |

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (2) Outstanding balances with related parties (Continued)

| | As at 31 December | |
|---|---|---|
| | 2022 | 2021 |
| | RMB'000 | RMB'000 |
| Other payables | | |
| Other subsidiaries of Sinochem Holdings** | 14,448 | 15,462 |
| Joint ventures of Sinochem Holdings# | 591 | 643 |
| Associates of Sinochem Holdings# | 328 | 329 |
| China Jinmao and its other subsidiaries* | 127,213 | 207,129 |
| Joint ventures of China Jinmao | 46,861 | 7,994 |
| Associates of China Jinmao | 11,116 | 1,550 |
| | 200,557 | 233,107 |
| Lease liabilities | | |
| Other subsidiaries of China Jinmao* | 30,948 | 31,326 |
| Contract liabilities | | |
| Other subsidiaries of Sinochem Holdings** | 676 | 2,601 |
| Joint ventures of Sinochem Holdings# | 59 | 61 |
| Other subsidiaries of China Jinmao* | 25,363 | 11,931 |
| Joint ventures of China Jinmao | 5,980 | 5,097 |
| Associates of China Jinmao | 5,147 | 3,567 |
| | 37,225 | 23,257 |

The Group's outstanding balances of trade receivables, trade payables, prepayments, lease liabilities and contract liabilities with related parties and deposits placed with Sinochem Finance are trade in nature. The outstanding balances of other receivables and other payables with related parties are non-trade in nature, and these balances are unsecured, interest-free and has no fixed terms of repayment.

### (3) Compensation of key management personnel of the Group

| | 2022 | 2021 |
|---|---|---|
| | RMB'000 | RMB'000 |
| Salaries, allowances, benefits in kind and bonuses | 11,525 | 11,126 |
| Pension scheme contributions | 1,376 | 364 |
| Equity-settled share option expense | 796 | 1,390 |
| | 13,697 | 12,880 |

Further details of directors' and the chief executive's emoluments are included in note 8 to the financial statements.

## 30. RELATED PARTY TRANSACTIONS (Continued)

### (4) Transactions and balances with other state-owned entities

The Group is indirectly controlled by the PRC government and operates in an economic environment predominated by entities directly or indirectly owned or controlled by the government through its agencies, affiliates or other organisations (collectively "State-owned Entities" ("SOEs")). During the reporting period, the Group had transactions with other SOEs to provide property management services. The directors of the Company consider that these transactions with other SOEs are activities conducted in the ordinary course of business and that the dealings of the Group have not been significantly or unduly affected by the fact that the Group and the other SOEs are ultimately controlled or owned by the PRC government. The Group has also established pricing policies for its products and services and such pricing policies do not depend on whether or not the customers are SOEs.

## 31. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of reporting period are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Financial assets – Financial assets at amortised cost | | |
| Trade receivables | 778,562 | 414,477 |
| Financial assets included in prepayments, other receivables and other assets | 532,378 | 239,685 |
| Restricted cash | 1,649 | 1,278 |
| Cash and cash equivalents | 1,018,958 | 553,619 |
| | 2,331,547 | 1,209,059 |

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Financial liabilities – Financial liabilities at amortised cost | | |
| Trade payables | 456,084 | 170,944 |
| Lease liabilities | 100,539 | 34,314 |
| Financial liabilities included in other payables and accruals | 540,211 | 536,165 |
| | 1,096,834 | 741,423 |

## 32. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted cash, trade receivables, financial assets included in current portion of prepayments, other receivables and other assets, trade payables, lease liabilities and financial liabilities included in current portion of other payables and accrual, approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets included in other receivables and other assets and financial liabilities included in other payables, have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The resulting fair value amounts of these assets and liabilities are closed to their carrying amounts as at the end of the reporting period.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

### Fair value hierarchy

The Group did not hold any financial assets and liabilities measured at fair value as at 31 December 2022 and 2021.

The Group's principal financial instruments comprise cash and cash equivalents, restricted cash, trade and other receivables, trade and other payables, which arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Group's operations.

The main risks arising from the Group's financial are instruments credit risk, liquidity risk, interest rate risk and foreign currency risk. The Group's overall risk management programme focuses on minimising potential adverse effects of these risks, with a material impact, on the Group's financial performance. The board of directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

### (a) Credit risk

The Group is exposed to credit risk in relation to its trade receivables, other receivables, cash and cash equivalents and restricted cash.

The Group expects that there is no significant credit risk associated with cash and cash equivalents and restricted cash since they are substantially deposited at state-owned banks, other medium or large-sized listed banks and other financial institutions in Mainland China. Management does not expect that there will be any significant losses from non-performance by these banks.

The Group expects that the credit risk associated with trade receivables and other receivables due from related parties is low, since the related parties have strong capacity to meet contractual cash flow obligations in the near term. Thus, management does not expect that there will be any significant impairment for the trade receivables and other receivables due from related parties.

The Group trades only with recognised and creditworthy third parties. Concentrations of credit risk are managed by analysis by customer/counterparty. There are no significant concentrations of credit risk from third parties as the customer bases of the Group's trade receivables and other receivables are widely dispersed. In addition, receivable balances are monitored on an ongoing basis.

#### Maximum exposure and year-end staging

The tables below show the credit quality and the maximum exposure to credit risk based on the Group's credit policy, which is mainly based on past due information unless other information is available without undue cost or effort, and year-end staging classification as at 31 December. The amounts presented are gross carrying amounts for financial assets.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (a) Credit risk (Continued)

**As at 31 December 2022**

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 794,750 | 794,750 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 508,294 | – | – | – | 508,294 |
| – Doubtful** | – | 25,054 | – | – | 25,054 |
| Restricted cash | | | | | |
| – Not yet past due | 1,649 | – | – | – | 1,649 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 1,018,958 | – | – | – | 1,018,958 |
| | 1,528,901 | 25,054 | – | 794,750 | 2,348,705 |

As at 31 December 2021

| | 12-month ECLs | Lifetime ECLs | | | |
|---|---|---|---|---|---|
| | Stage 1 RMB'000 | Stage 2 RMB'000 | Stage 3 RMB'000 | Simplified approach RMB'000 | Total RMB'000 |
| Trade receivables* | – | – | – | 420,360 | 420,360 |
| Financial assets included in prepayments, other receivables and other assets | | | | | |
| – Normal** | 202,062 | – | – | – | 202,062 |
| – Doubtful** | – | 41,004 | – | – | 41,004 |
| Restricted cash | | | | | |
| – Not yet past due | 1,278 | – | – | – | 1,278 |
| Cash and cash equivalents | | | | | |
| – Not yet past due | 553,619 | – | – | – | 553,619 |
| | 756,959 | 41,004 | – | 420,360 | 1,218,323 |

* For trade receivables to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in note 20 to the financial statements.

** The credit quality of the financial assets included in prepayments, other receivables and other assets is considered to be "normal" when they are not past due and there is no information indicating that the financial assets had a significant increase in credit risk since initial recognition. Otherwise, the credit quality of the financial assets is considered to be "doubtful".

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (b) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding to finance its working capital needs as well as capital expenditure in respect of this management projects, and flexibility through the use of stand-by credit facilities.

The table below analyses the maturity profile of the Group's financial liabilities as at the end of reporting period, which is based on contractual undiscounted payments.

**As at 31 December 2022**

| | Within 1 year or on demand RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Trade payables | 456,084 | – | – | 456,084 |
| Lease liabilities | 17,916 | 52,254 | 52,829 | 122,999 |
| Financial liabilities included in other payables and accruals | 540,211 | – | – | 540,211 |
| | 1,014,211 | 52,254 | 52,829 | 1,119,294 |

As at 31 December 2021

| | Within 1 year or on demand RMB'000 | 1 to 5 years RMB'000 | Over 5 years RMB'000 | Total RMB'000 |
|---|---|---|---|---|
| Trade payables | 170,944 | – | – | 170,944 |
| Lease liabilities | 11,104 | 27,132 | – | 38,236 |
| Financial liabilities included in other payables and accruals | 536,165 | – | – | 536,165 |
| | 718,213 | 27,132 | – | 745,345 |

### (c) Interest rate risk and foreign currency risk

The Group is not exposed to material interest rate risk as the Group has no long term debt obligations with a floating interest rate.

The Group is not exposed to material foreign currency risk as its business is principally conducted in the Mainland China and almost all the transactions are denominated in RMB.

## 33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

### (d) Capital management

The Group's primary objectives for managing capital are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratio in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No change was made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021.

The Group monitors capital using a current ratio, which is total current assets divided by total current liabilities, and a liabilities to assets ratio, which is total liabilities divided by total assets. The current ratios and liabilities to assets ratios as at the end of each of the reporting periods are as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| Total current assets | 2,442,300 | 1,248,703 |
| Total current liabilities | 1,532,592 | 1,128,042 |
| Total assets | 3,003,528 | 1,359,052 |
| Total liabilities | 1,643,302 | 1,155,071 |
| Current ratio | 1.59 | 1.11 |
| Liabilities to assets ratio | 0.55 | 0.85 |

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

| | 2022<br>RMB'000 | 2021<br>RMB'000 |
|---|---|---|
| NON-CURRENT ASSET | | |
| Investment in subsidiaries | 983,002 | 68,476 |
| CURRENT ASSETS | | |
| Other current assets | – | 4,832 |
| Cash and cash equivalents | 94,914 | – |
| Total current assets | 94,914 | 4,832 |
| CURRENT LIABILITIES | | |
| Other payables and accruals | 3,842 | 21,520 |
| NET CURRENT ASSETS/(LIABILITIES) | 91,072 | (16,688) |
| Net assets | 1,074,074 | 51,788 |
| EQUITY | | |
| Share capital | 839,529 | 66,947 |
| Reserves *(note)* | 234,545 | (15,159) |
| Total equity | 1,074,074 | 51,788 |

**Xie Wei**
*Director*

**Zhou Liye**
*Director*

## 34. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

*Note:*

A summary of the Company's reserves is as follows:

| | Exchange reserve | (Accumulated losses)/retained profits | Total |
|---|---|---|---|
| | RMB'000 | RMB'000 | RMB'000 |
| At 1 January 2021 | -* | -* | -* |
| Total comprehensive income/(loss) for the year | 254 | (15,413) | (15,159) |
| At 31 December 2021 and 1 January 2022 | 254 | (15,413) | (15,159) |
| Total comprehensive income for the year | 90,689 | 159,015 | 249,704 |
| At 31 December 2022 | 90,943 | 143,602 | 234,545 |

* *The amount is less than RMB1,000.*

## 35. COMPARATIVE AMOUNT

Certain comparative information has been reclassified to conform with the presentation of the financial information for the year ended 31 December 2022.

## 36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 24 March 2023.

# FIVE-YEAR FINANCIAL SUMMARY

| | **2022** | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| | **RMB'000** | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Revenue | **2,436,035** | 1,515,525 | 944,210 | 788,323 | 574,503 |
| Gross profit | **733,870** | 470,034 | 234,789 | 151,523 | 115,034 |
| Profit attributable to owners of the parent | **336,002** | 177,977 | 77,124 | 22,624 | 17,487 |
| Total assets | **3,003,528** | 1,359,052 | 2,135,235 | 1,986,219 | 1,940,502 |
| Total liabilities | **1,643,302** | 1,155,071 | 2,086,101 | 1,878,388 | 1,860,847 |
| Equity attributable to owners of the parent | **1,343,173** | 195,397 | 49,134 | 107,831 | 79,655 |
| Total equity | **1,360,226** | 203,981 | 49,134 | 107,831 | 79,655 |

金茂物業服務發展股份有限公司
Jinmao Property Services Co., Limited