润华物业
RUNHUA PROPERTY

Runhua Living Service Group Holdings Limited
润华生活服务集团控股有限公司

(a company incorporated in the Cayman Islands with limited liability)

(Stock Code: 2455)

2022
ANNUAL REPORT

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CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors

Mr. Yang Liqun *(Chairman of the Board)*
Mr. Fei Zhongli *(Chief Executive Officer)*

Non-executive Directors

Mr. Luan Tao
Mr. Luan Hangqian
Mr. Cheng Xin

Independent Non-Executive Directors

Ms. Chen Haiping
Ms. Bao Ying
Ms. He Murong

AUDIT COMMITTEE

Ms. Chen Haiping *(Chairlady)*
Mr. Cheng Xin
Ms. Bao Ying

REMUNERATION COMMITTEE

Ms. He Murong *(Chairlady)*
Mr. Yang Liqun
Ms. Chen Haiping

NOMINATION COMMITTEE

Mr. Yang Liqun *(Chairman)*
Ms. He Murong
Ms. Bao Ying

AUTHORISED REPRESENTATIVES

Ms. Szeto Kar Yee Cynthia
Mr. Yang Liqun

COMPANY SECRETARY

Ms. Szeto Kar Yee Cynthia

INDEPENDENT AUDITOR

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

LEGAL ADVISERS

As to Hong Kong law:
Li & Partners
22/F, World-Wide House
Central
Hong Kong

As to Cayman Islands law:
Campbells
Floor 35, Room 3507
Edinburgh Tower
The Landmark
15 Queen's Road Central
Hong Kong

COMPLIANCE ADVISER

Zhongtai International Capital Limited
19/F
Li Po Chun Chambers
189 Des Voeux Road Central
Central
Hong Kong

CORPORATE INFORMATION

REGISTERED OFFICE

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Cricket Square
Grand Cayman KY1–9010
Cayman Islands

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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No. 28988 Jingshi Road
Jinan City
Shandong Province
PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

31/F, Tower Two
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1 Matheson Street
Causeway Bay
Hong Kong

CAYMAN ISLANDS PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFER

Campbells Corporate Services Limited
Floor 4, Willow House
Cricket Square
Grand Cayman KY1–9010
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Shops 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong

PRINCIPAL BANKS

Agricultural Bank of China Co., Ltd. (Jinan Dajin Branch)
Industrial and Commercial Bank of China Limited
(Jinan Huaiyin Branch)

WEBSITE

www.sdrhwy.cn

STOCK CODE

2455

FINANCIAL SUMMARY

The following is a summary of the results and assets and liabilities of Runhua Living Service Group Holdings Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") for each of the years ended 31 December 2018, 2019, 2020, 2021 and 2022.

RESULTS

	For the year ended 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	**691,999**	601,298	486,095	397,096	340,848
Gross profit	**122,150**	114,142	102,854	66,847	42,177
Profit before tax	**51,652**	56,444	61,856	36,802	16,973
Income tax expense	**(11,271)**	(11,993)	(13,164)	(9,694)	(3,156)
Profit for the year	**40,381**	44,451	48,692	27,108	13,817
Profit for the year attributable to:					
Owners of the Company	**40,167**	44,300	48,674	27,108	13,817

ASSETS AND LIABILITIES

	As at 31 December				
	2022	2021	2020	2019	2018
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Total assets	**540,407**	466,680	532,266	329,609	185,528
Total liabilities	**(339,580)**	(308,401)	(422,337)	(234,624)	(118,596)
	200,827	158,279	109,929	94,985	66,932
Total equity attributable to:					
Owners of the Company	**200,450**	158,116	109,911	94,985	66,932

CHAIRMAN'S STATEMENT

Dear shareholders:

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Runhua Living Service Group Holdings Limited (the "**Company**"), I am pleased to present the annual results of the Company for the year ended 31 December 2022 (the "**Reporting Period**").

The Company developed steadily in 2022, as reflected by the continuous improvement in its revenue structure and rapid growth in business scale and performance. As at 31 December 2021, the Company recorded operating revenue of RMB692 million, representing a year-on-year increase of 15.1%, and gross profit of approximately RMB122 million, representing a year-on-year increase of 7.0%.

2023 is the first year of listing of the Company. The Company was successfully listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2023 (the "**Listing**") and raised net proceeds (after deducting the Listing expenses) of approximately HK$89.9 million, which means that the business development, competitive advantages and future prospects of the Company were recognised in the international capital market.

DUAL PROVISION OF "LIVING SERVICE + HEALTH" TO DRIVE THE DEVELOPMENT OF THE GROUP

Relying on a service system supported by the dual provision of "living service + health", the Group provides quality hospital property management services and keeps improving its hospital value-added services, aiming to create better services for customers with technology, professionalism and dedication. In addition, the Group vigorously expands its property management business covering public properties and commercial properties, so as to continuously optimise its revenue structure. In 2022, the Group's leasing services from property investment, recorded a significant growth of 67.1% in revenue from approximately RMB5.9 million to approximately RMB9.9 million.

STEADY DEVELOPMENT OF DIFFERENT CATEGORIES UNDER THE PROPERTY MANAGEMENT BUSINESS

In 2022, we adhered to steady, high-quality and sustainable development. Against the background of fierce competition in the property management industry, we continuously expanded our services internally and externally, continued to develop new business, and achieved robust growth in four different categories under the property management business. In particular, revenue from our hospital property management business grew from RMB216 million in 2021 to RMB277 million in 2022.

CHAIRMAN'S STATEMENT

TECHNOLOGICAL EMPOWERMENT AND DIGITAL MANAGEMENT ENABLED THE GROUP TO INCREASE REVENUE, ENHANCE MANAGEMENT EFFICIENCY AND BRING SMART SERVICES TO CUSTOMERS

The Group continues to optimise its revenue structure and transform and upgrade traditional property services. Through the contribution of "property management services", "property engineering and landscape construction services" and "leasing services from property investment", the Group has built a new business model supported by internet platforms, and continuously improved the level of technological empowerment and digital services. The Company carries out internal management and provides services in the form of OSCS technology ecology, and creates an internet ecosystem covering the whole industry chain. Meanwhile, relying on its digital core capabilities to provide technology-enabled services, the Group has been constantly improving its service capabilities.

FUTURE OUTLOOK

The Group will continue to focus on its competitive advantages, further consolidate the Company's market position in Shandong, especially in the hospital property management service market in Shandong, and further expand our service coverage through internal growth, strategic acquisitions and other means. Furthermore, the Group will continue to provide high-quality "living service + health" services, further develop digital technology and further optimise OSCS functions to improve our service capabilities. Looking ahead, the industry will enter a stage of high-quality development, and the Group will vigorously optimise its revenue structure, improve its hospital, commercial and other property management services, and enhance the level of digital empowerment, with a view to achieving steady development.

APPRECIATION

On behalf of the Board, I would like to extend my sincere gratitude to our shareholders, investors, partners, property owners and the society for their trust and support, which are essential to the development of the Group. Also, I would like to express my gratitude and respect to the members of the Board, management of the Company and all employees of the Group for their contributions. Looking to the future, the Company will continue to strive for development and create greater value for all.

Yang Liqun
Chairman and Executive Director

Hong Kong, 30 March 2023

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

The Company was successfully listed on the Main Board of the Stock Exchange on 17 January 2023 (the "**Listing Date**"). The Company issued 75,000,000 ordinary shares with a par share of US$0.0001 each at an offer price of HK$1.70 per share, raising net proceeds of HK$89.9 million (after deducting the Listing expenses).

The Group is a reputable integrated property management service provider in the PRC, with a primary focus in Shandong Province by upholding the strategy of "Shandong Focus (精耕山東)". Over the years, the Group have gradually expanded the geographic presence from Jinan to cover 15 of the 16 prefecture-level cities in Shandong Province. Apart from the properties located in Shandong Province, the Group also managed projects located in Beijing, Hebei Province and Jiangsu Province.

The Group's commitment to quality of service has set a benchmark for high quality property management in the market, which forms the crux to achieving customer loyalty and retention. In 2022, 91.9% of total revenue was generated from provision of property management services to the customers, of which 91.7% was generated from the non-residential properties, such as hospitals, public properties and commercial and other non-residential properties, whereas the remaining 8.3% was generated from residential properties. Hence, the Group's property management services have been and will continue to be strategically focused on non-residential properties in the PRC.

In 2022, the Group received "Top 10 Hospital Property Service Providers" from CRIC Property Management (克而瑞物管) and Shanghai Yiju Real Estate Research Institute (上海易居房地產研究院). The Group were also awarded "Top 500 Property Management Companies of China (物業服務企業綜合實力測評TOP 500)", "Shandong Premium Brand–Service Category* (山東優質品牌 – 服務類)", "High and New Technology Enterprise* (高新技術企業)", "Shandong Famous Brand* (山東知名品牌)", "Key Service Enterprises in Shandong* (山東省重點服務業企業) and "High-end Cultivation Enterprise in Service Industry in Shandong* (山東省服務業高端培育企業)".

The services provided by the Group can be broadly divided into four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) leasing services from property investment; and (iv) other services.

Leveraging the Group's extensive experience in Shandong Province, the Group actively explores and pursues opportunities to expand the property portfolio and bolster the geographic presence across Shandong Province by securing more projects, with a specific interest in high-end hospitals and public properties for improving the Group's profile and exposure in the market.

* *for identification purpose only*

MANAGEMENT DISCUSSION AND ANALYSIS

FUTURE PROSPECTS

The Board considers that the public listing status has impacted the perception of customers towards the Group and believes that the public listing status is a form of complementary advertising which will further enhance the corporate profile, assist in reinforcing the brand awareness and market reputation, enhance the credibility with the public and potential business partners and offer the Company a broader shareholder base which will provide liquidity in the trading of the Shares. In addition, the Board believes that the Listing will enable the Group to gain access to the capital market for future fund raising both at the time of Listing and at later stages which would inevitably assist the Group in the future business development.

Since the Group's establishment, the Group has been primarily focusing in the provision of the services in Shandong Province and upholding the strategy of "Shandong Focus (精耕山東)". In view of the PRC's continuous growth in the economy and urbanisation, as well as the expected increase in the number of new properties, both in residential and non-residential, apart from growing the business through organic growth initiatives, the Group plans to increase the market share in cities where the Group has presence in Shandong Province, via acquisitions and business collaboration with business partners, as well as penetrate into the market in other developed neighbouring regions, such as Yangtze River Delta Region and Beijing-Tianjin-Hebei Region, via acquisitions of well-established local property management companies.

There was no change in the intended use of net proceeds as previously disclosed in the prospectus (the "**Prospectus**") of the Company in relation to global offering of its shares (the "**Global Offering**") dated 30 December 2022, and the expected timeline for the use of net proceeds will be subject to the business development of the Company. Since the Listing Date and up to the date of this report, the Group has not utilised any portion of the net proceeds, and will utilise the net proceeds in accordance with the intended purposes as stated in the Prospectus. Please refer to "Future Plans and Use of Proceeds" in the Prospectus for details.

FINANCIAL REVIEW

Revenue

The Group's revenue primarily generated from four business segments in terms of their nature, namely (i) property management services; (ii) property engineering and landscape construction services; (iii) leasing services from property investment; and (iv) other services. The revenue increased by RMB90.7 million or 15.1% from RMB601.3 million for the year ended 31 December 2021 to RMB692.0 million for the Reporting Period, which was primarily attributable to the business growth in the property management sector from RMB542.8 million for the year ended 31 December 2021 to RMB635.9 million for the Reporting Period, in particular the increase in revenue contribution from hospitals.

The table below sets forth a breakdown of revenues by type of services provided for the period indicated:

	For the year ended 31 December				
	2022		2021		
	Revenue		Revenue		Growth rate
	RMB'000	**%**	RMB'000	%	%
Property management services	**635,869**	**91.9**	542,838	90.3	17.1
Property engineering and landscape construction services	**39,581**	**5.7**	49,301	8.2	(19.7)
Leasing services from property investment	**9,931**	**1.4**	5,942	1.0	67.1
Other services	**6,618**	**1.0**	3,217	0.5	105.7
Total	**691,999**	**100.0**	601,298	100.0	15.1

The table below sets forth a breakdown of revenue from providing property management services by type of managed properties for the year indicated:

	For the year ended 31 December				
	2022		2021		
	Revenue		Revenue		Growth rate
	RMB'000	**%**	RMB'000	%	%
Hospitals	**276,545**	**43.5**	215,941	39.8	28.1
Public properties	**204,538**	**32.2**	192,624	35.5	6.2
Commercial and other non-residential properties	**102,079**	**16.0**	86,112	15.9	18.5
Residential properties	**52,707**	**8.3**	48,161	8.8	9.4
Total	**635,869**	**100.0**	542,838	100.0	17.1

The property management services are the largest source of revenue. For the Reporting Period, the revenue from property management services was RMB635.9 million, accounting for 91.9% of the Group's total revenue. The increase in revenue in the segment was primarily driven by the additional hygiene and precautionary services requested by the hospitals under the Group's management leading to an increase in revenue contribution from hospitals from RMB215.9 million for the year ended 31 December 2021 to RMB276.5 million for the Reporting Period.

For the Reporting Period, the revenue from property engineering and landscape construction services was RMB39.6 million, accounting for 5.7% of the Group's total revenue. The decrease in revenue in the segment was primarily driven by certain sizeable property engineering and landscape construction projects were substantially completed and recognised most of their contract value in 2021 and the first half of 2022.

For the Reporting Period, the revenue from leasing services from property investment was RMB9.9 million, accounting for 1.4% of the Group's total revenue. The increase in revenue in the segment was primarily driven by a sizeable investment property located in Jinan City rented by the Group in December 2021 and certain part of such property being leased out since April 2022 for leasing services from property investment.

For the Reporting Period, the revenue from other services was RMB6.6 million, accounting for 1.0% of the Group's total revenue. The increase in revenue in the segment was primarily driven by the growth of patient nursing and post-natal caring services.

Cost of Services

The Group's cost of services primarily includes staff costs, subcontracting costs, material and consumables and other cost of services. For the Reporting Period, the total cost of services of the Group was RMB569.8 million, which increased by RMB82.7 million or 17.0% as compared to RMB487.2 million for the same period of 2021 and was in line with the increase in the revenue generated from property management services.

Gross Profit and Gross Profit Margin

The gross profit of the Group increased by RMB8.0 million or 7.0% to RMB122.2 million for the Reporting Period from RMB114.1 million for the year ended 31 December 2021 as a results of the net effect of the abovementioned factors for the increase in revenue and cost of services.

The following table sets forth a breakdown of the gross profit and gross profit margin by business segments during the periods indicated:

	For the year ended 31 December			
	2022		2021	
	Gross profit RMB'000	**Gross profit margin %**	Gross profit RMB'000	Gross profit margin %
Property management services	**106,861**	**16.8**	99,852	18.4
Property engineering and landscape construction services	**9,262**	**23.4**	10,874	22.1
Leasing services from property investment	**887**	**8.9**	774	13.0
Other services	**5,140**	**77.7**	2,642	82.1
Total	**122,150**	**17.7**	114,142	19.0

For the Reporting Period, the gross profit margin of the Group decreased by 1.3 percentage points as compared with 2021.

The gross profit margin of property management services decreased by 1.6 percentage points, primarily because of the significant increase in staff costs in around the end of 2022 resulting from (i) the increase in number of frontline staff deployed to the properties under the Group's management in order to implement access control measures; and (ii) the increase in wages for frontline staff for overtime in accordance with the relevant requirement of the PRC labour laws.

The gross profit margin of property engineering and landscape construction services increased by 1.3 percentage points, primarily due to the increase in the revenue and gross profit generated from the installation and/or repair of elevators.

The gross profit margin of leasing services from property investment decreased by 4.1 percentage points, primarily due to the relatively low gross profit margin of subleasing a sizeable investment property located in Jinan City.

The gross profit margin of other services decreased by 4.4 percentage points, primarily due to the increase in revenue contribution from patient nursing and post-natal caring services in 2022, the gross profit margin of which was lower than the sales of the use rights of software supporting systems in the year ended 31 December 2021.

Other Income and Gains and Expenses, Net

The other income and gains and expenses primarily consisted of government grants and bank interest income. The other income and gains and expenses, net decreased by RMB0.7 million or 9.3% from RMB7.3 million for the year ended 31 December 2021 to RMB6.6 million for the Reporting Period. The decrease in other income and gains and expenses was primarily due to the full settlement of the loans to the related parties in March 2021 which the Group recorded interest income from loans to related parties of RMB2.1 million for the year ended 31 December 2021 and no such income recorded for the Reporting Period.

Selling and Distribution Expenses

The selling and distribution expenses increased by RMB1.1 million or 23.7% from RMB4.7 million for the year ended 31 December 2021 to RMB5.8 million for the Reporting Period. The increase in selling and distribution expenses was primarily due to the marketing expenses of RMB4.0 million (2021: RMB2.5 million) to cope with the business growth.

Administrative Expenses

The administrative expenses increased by RMB14.0 million or 25.6% from RMB54.5 million for the year ended 31 December 2021 to RMB68.5 million for the Reporting Period. The increase in administrative expenses was primarily due to the depreciation and amortisation expenses of RMB13.1 million, among which an expense of RMB11.2 million was caused the vacancy of a sizeable investment property located in Jinan City.

Finance Costs

The finance costs decreased by RMB2.8 million or 24.4% from RMB11.3 million for the year ended 31 December 2021 to RMB8.5 million for the Reporting Period. The decrease in finance costs was primarily due to the repayment of certain short-term interest-bearing bank and other borrowings in March 2021.

Share of Profit of an Associate

Share of profit of an associate increased by RMB0.3 million or 5.5% from RMB5.5 million for the year ended 31 December 2021 to RMB5.8 million for the Reporting Period.

Income Tax Expense and Effective Tax Rate

The income tax expense decreased by RMB0.7 million or 6.0% from RMB12.0 million for the year ended 31 December 2021 to RMB11.3 million for the Reporting Period, primarily due to the decrease in profit before tax for the Reporting Period as compared to the year ended 31 December 2021 as a result of the net effect of the abovementioned factors for decrease in other income and gains and expenses and increase in selling and distribution expenses, administrative expenses and finance costs.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, the enterprise income tax rate of the Group's PRC subsidiaries is 25%, unless subject to tax deduction or exemption. The effective tax rate of 21.2% for the year ended 31 December 2021 and 21.8% for the Reporting Period were lower than the 25% statutory tax rate applicable to the PRC subsidiaries primarily due to the fact that (i) certain subsidiaries of the Group are qualified as small low-profit enterprises in the PRC in 2019 and were entitled to a preferential income tax rate for three years; and (ii) the adjustment of the profits attributable to an associate were approximately RMB1.4 million for the year ended 31 December 2021 and RMB1.4 million for the Reporting Period, which were not taxable.

Profit for the Year and Net Profit Margin

As a result of the foregoing, the net profit decreased by RMB4.1 million or 9.2% from RMB44.5 million for the year ended 31 December 2021 to RMB40.4 million for the Reporting Period, and the net profit margin decreased from 7.4% for the year ended 31 December 2021 to 5.8% for the Reporting Period.

Property and Equipment

Property and equipment of the Group mainly consists of buildings, electronic devices and furniture, fixtures and equipment. As at 31 December 2022, the Group's property and equipment was RMB19.2 million, a slight increase by RMB0.7 million from RMB18.5 million as at 31 December 2021 mainly due to the additions of furniture, fixtures and equipment of RMB4.1 million.

Investment Properties

The investment properties primarily represented commercial properties located in the PRC that were or intended to be leased or subleased to third parties under operating leases for the provision of the property leasing services. The investment properties increased from RMB63.9 million as at 31 December 2021 to RMB107.1 million as at 31 December 2022, primarily due to (i) the revision of a lease term arising from a change in the non-cancellable period of a lease of RMB46.2 million for a sizeable investment property located in Jinan City; and (ii) the leasehold improvement of RMB17.7 million incurred for the aforementioned sizeable investment property.

Investment in an Associate

The investment in an associate represents the Group's 41% interests in Tianjin Tianfu Property Management Co., Ltd.* (天津天孚物業管理有限公司), which is a property management company located in Tianjin. The Group recorded investment in an associate of RMB133.4 million as at 31 December 2022.

* *for identification purpose only*

Trade Receivables

The trade receivables are mainly fees receivable from the property management services, and property engineering and landscape construction services. The Group's trade receivables as at 31 December 2022 amounted to RMB150.8 million, representing an increase of RMB65.8 million or 77.4% as compared to RMB85.0 million as at 31 December 2021, primarily as a result of the business growth of property management services to hospitals, which require a longer settlement period.

Prepayments, Other Receivables and Other Assets

The current portion of prepayment, other receivables and other assets comprised prepayments to suppliers, deposits and other receivables and deferred Listing expenses. Prepayment, other receivables and other assets remained relatively stable from RMB21.3 million as at 31 December 2021 to RMB21.1 million as at 31 December 2022.

Trade Payables

The Group's trade payables as at 31 December 2022 amounted to RMB41.4 million, representing a decrease of RMB1.3 million or 3.1% as compared to RMB42.7 million as at 31 December 2021, mainly due to the improved capacity to negotiate for a prolonged payment schedule with the suppliers of the Group.

Other Payables and Accruals

Other payables and accruals remained stable from RMB106.9 million as at 31 December 2021 to RMB105.7 million as at 31 December 2022, primarily due to the increase in staff payroll and welfare payables as a result of increase in number of staff, which was in line with the business growth.

Liquidity, Financial Resources and Capital Structures

As at 31 December 2022, the Group had cash and cash equivalents of RMB64.7 million (of which RMB1.2 million is denominated in HK$ (2021: RMB1.1 million), and the rest is denominated in RMB). The total interest-bearing bank loans and other borrowings slightly decreased to RMB94.7 million as at 31 December 2022 from RMB96.8 million as at 31 December 2021. As at 31 December 2022, interest-bearing bank borrowings amounting to (i) RMB20.0 million (2021: RMB30.0 million) were carried at interest rates ranging from 4.30% to 5.60% (2021: ranging from 5.66% to 5.67%) per annum and repayable within one year; and (ii) RMB13.1 million (2021: RMB11.1 million) were carried at interest rates ranging from 4.45% to 5.67% (2021: 4.65%) per annum and repayable within one year; (iii) RMB17.0 million (2021: Nil) were carried at fixed interest rates at 5.67% (2021: Nil) per annum and repayable within two year; and (iv) RMB44.5 million (2021: RMB55.7 million) were carried at floating rates of loan prime rate (2021: loan prime rate) per annum and repayable in one to five years (2021: one to six years). The gearing ratio (total interest-bearing debts divided by total equity) as at 31 December 2022 was 47.1% (31 December 2021: 61.2%). The current ratio (total current assets divided by total current liabilities) as at 31 December 2022 was 1.3 (31 December 2021: 1.2).

The share capital of the Company is only comprised of ordinary shares. As at the date of this report, the issued share capital of the Company was US$30,000, comprising 300,000,000 shares of nominal value of US$0.0001 per share.

MANAGEMENT DISCUSSION AND ANALYSIS

Capital Expenditure and Commitments

The Group's capital expenditure in Reporting Period primarily comprised expenditure on property and equipment and investment properties, amounted to a total of RMB32.8 million (31 December 2021: RMB6.4 million).

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

Pledge of Assets

As at 31 December 2022, certificates of deposit amounting to RMB4.0 million owned by the Group were pledged as security for bank loans amounting to RMB17.0 million at an interest rate of 5.67% and repayable within two years (31 December 2021: the buildings with a net book value of RMB5.6 million, the investment properties with a net book value of RMB10.1 million and certificates of deposit of RMB10.0 million were mortgaged and/or pledged as security for bank loans).

Contingent Liabilities

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

Cash Flow

For the Reporting Period, the net cash used in operating activities was RMB15.8 million, which was primarily due to the increase in trade receivables. The net cash used in investing activities for the Reporting Period was RMB31.4 million, which was primarily due to the purchase and decoration of investment properties. The net cash used in financing activities for the Reporting Period was RMB10.1 million, which was primarily due to the repayment of interest-bearing bank borrowings.

Foreign Exchange Risk

The Group operates its business primarily in the PRC. RMB is the currency used by the Group for valuation and settlement of all transactions. Any depreciation of RMB would adversely affect the value of any dividends paid by the Group to shareholders outside the PRC. Majority of the Group's cash and cash equivalents is denominated in RMB. The Group is currently not engaged in hedging activities that are designed or intended to manage foreign exchange rate risk. The Group will continue to monitor foreign exchange activities and make its best efforts to protect the cash value of the Group.

Treasury policy

The Group has adopted a prudent financial management approach towards its treasury policy and thus maintained a healthy liquidity position for the Reporting Period. To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

SIGNIFICANT INVESTMENTS, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

During the Reporting Period, the Company did not have any significant investments (including significant investments which accounted for 5% or more of the total assets of the Group) or material acquisitions or disposals of subsidiaries, associates and joint ventures.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the shareholders of the Company (the "**Shareholders**") who are entitled to attend and vote at the annual general meeting of the Company to be held on Monday, 29 May 2023 ("**AGM**"), the register of members of the Company will be closed from Tuesday, 23 May 2023 to Monday, 29 May 2023 (both days inclusive). In order to qualify for attending and voting at the AGM, all transfer documents together with the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar for registration, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Monday, 22 May 2023.

FUTURE PLANS FOR MAJOR INVESTMENTS

The Group intends to utilise part of the net proceeds raised from the global offering to acquire property management companies according to the Prospectus. As at the date of this report, the Group does not have any other material plans to invest in the future.

EMPLOYEES AND REMUNERATION POLICY

The Group employed 8,755 employees as at 31 December 2022 (31 December 2021: 7,132). The Group also engages subcontractors in provision of labour intensive works, such as general cleaning and security services. The employment contracts either have no fixed terms, or if there are fixed terms, the terms are generally up to five years, after which the Group evaluate renewals based on performance appraisals. All of the full-time employees are paid a fixed salary and may be granted other allowances, based on their positions. In addition, discretionary bonuses may also be awarded to employees based on the employee's performance. The Group conduct regular performance appraisals to ensure that the employees receive feedback on their performance.

The total staff cost including remuneration, other employee benefits and contributions to retirement schemes for the Directors and other staff of the Group for the Reporting Period amounted to RMB358.8 million (2021: RMB295.6 million). The increase in staff cost was in line with the business growth in 2022.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the shareholders of the Company and to enhance corporate value and accountability of the Company. The Company was not a listed company for the Reporting Period and hence, it is not required to follow the requirements in the code provisions related to corporate governance. From the Listing Date to the date of this report, the Company has adopted and complied with all applicable code provisions under the Corporate Governance Code (the "**CG Code**") in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

MANAGEMENT DISCUSSION AND ANALYSIS

SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set forth in Appendix 10 to the Listing Rules as the code of conduct regarding securities transactions of the Directors. The Company had made specific enquiry and each Director confirmed that they have complied with the Model Code from the Listing Date to the date of this report.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities since the Listing Date and up to the date of this report.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules since the Listing Date and up to the date of this report. The Company maintained the minimum level of public float of 25% of its total issued share capital.

EVENTS AFTER THE REPORTING PERIOD

Pursuant to the resolutions of the shareholders passed on 14 December 2022, the Company allotted and issued a total of 23,000,000 ordinary shares (including 569,306 shares to Runhua ESOP Limited), credited as fully paid at par, to Springrain Investment Limited, the BVI companies whose shareholders were limited partners of Jinan Anlan Enterprise Management Consulting Partnership (Limited Partnership)* (濟南祿通企業管理諮詢合夥企業(有限合夥)), the BVI companies whose shareholders were limited partners of Jinan Lutong Business Consulting Partnership (Limited Partnership)* (濟南安瀾企業管理諮詢合夥企業(有限合夥)), Archery Capital Management Limited, and Runhua ESOP Limited equally on 17 January 2023 by way of capitalisation of the sum of US$2,300 standing to the credit of the share premium account of the Company.

On 17 January 2023, the ordinary shares of the Company were listed on the Main Board of the Stock Exchange, and in connection with the Company's listing, 75,000,000 ordinary shares of the Company were issued through Global Offering at the offer price of HK$1.70 per share for aggregate cash proceeds before expenses of HK$127.5 million.

Save for that, the Group did not have any other significant event after 31 December 2022 and up to the date of this report.

* *for identification purpose only*

DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Yang Liqun (楊立群) ("**Mr. Yang**"), aged 53, is the chairman of the Board and executive Director. He was appointed as a Director on 30 June 2020 and was appointed as the chairman of the Board and re-designated as an executive Director of the Company on 25 May 2021. Mr. Yang is responsible for supervising overall operations, management, strategic planning and business development.

Mr. Yang joined the Group in January 2011 as the chairman of the board of directors and general manager of Shandong Runhua Property Management Co., Ltd.* (山東潤華物業管理有限公司) ("**Shandong Runhua**"). Mr. Yang has years of experience in property services and property management industry. Prior to joining the Group, Mr. Yang served as a clerk of the Economic and Trade Department of Shandong Province Automotive Sales (Group) Co., Ltd.* (山東省汽車銷售(集團)股份有限公司) (currently known as Runhua Group Stock-Holding Co., Ltd.* (潤華集團股份有限公司) ("**Runhua Group Company**")), a company principally engaged in the sales of automobiles and provision of automobiles consulting services, from August 1992 to December 1996. Since August 1992, he has been holding various positions in the Controlling Shareholders' Group Companies. From December 1996 to December 1997, Mr. Yang worked at Shandong Xinya Chemical Industry Co., Ltd.* (山東欣亞化工實業有限公司), a company which scope of business includes sales and production of adhesives and related raw materials. From December 1997 to December 1998, he served as a manager of Runhua Group Shandong Qingling Automobile Sales Company* (潤華集團山東慶鈴汽車銷售有限公司), a company which scope of business includes sales of automobiles. From January 1999 to December 2001, Mr. Yang served as the station director of the Third Station of Runhua Group Shandong Automobile Repairing Co., Ltd.* (潤華集團山東汽車修理有限公司三站), a company which scope of business includes repair, maintenance and sales of automobiles. From December 1998 to December 2003, Mr. Yang served as the deputy general manager of Runhua Group Shandong Automobile Repairing Co., Ltd.* (潤華集團山東汽車修理有限公司), a company which scope of business includes repair, maintenance and sales of automobiles. From December 2003 to December 2009, Mr. Yang served as the general manager of Weifang Runhua Automobile Sales & Service Co., Ltd.* (濰坊潤華汽車銷售服務有限公司), a company which scope of business includes sales of automobiles, motorcycles and their accessories, where he was responsible for the overall operation management. From December 2009 to December 2010, Mr. Yang served as the general manager of Shandong Runhua Automobile Repairing Investment Co. Ltd.* (山東潤華汽車維修投資有限公司), a company which scope of business includes maintenance of automobiles and sales of car equipment, where he was responsible for the overall operation management. Mr. Yang served as a manger of Shandong Runhua from January 2011 to September 2015. Since September 2015, Mr. Yang has been serving as a director of Runhua Group Company to provide guidance for its overall development. He has also been appointed as a director of Shandong Diping Real Estate Co., Limited* (山東地平置業有限公司) since September 2015, a company principally engaged in property development where he was responsible for providing guidance and advice to the board of directors of the company.

Mr. Yang received his bachelor's degree in Applied Chemistry from Shandong University in the PRC in July 1992. He obtained an engineer qualification issued by Ministry of Personnel in September 1997.

DIRECTORS AND SENIOR MANAGEMENT

Mr. Fei Zhongli (費忠利) ("**Mr. Fei**"), aged 50, is the chief executive officer and executive Director. He was appointed as a Director on 30 June 2020 and was appointed as the chief executive officer and re-designated as an executive Director of the Company on 25 May 2021. Mr. Fei is responsible for supervising overall operations, management, strategic planning and business development.

Mr. Fei joined the Group in January 2011 as the chief financial officer. Mr. Fei has more than 10 years of extensive experience in property services and property management industry. Prior to joining the Group, Mr. Fei served as a division director of Runhua Group Company from July 1993 to December 2000. From January 2001 to December 2003, Mr. Fei served as the chief financial officer of Shandong Runhua Pharmaceutical Co. Ltd.* (山東潤華藥業有限公司), a company which scope of business includes the research and development of biotechnology. From January 2004 to December 2006, Mr. Fei served as the deputy general manager of the finance department of Runhua Group Company. From January 2007 to December 2010, Mr. Fei served as the chief financial officer of Weifang Runhua Automobile Sales Co., Ltd.* (濰坊潤華汽車銷售有限公司), a company which scope of business includes sales of automobiles, motorcycles and their accessories, where he was responsible for supervising the financial management of the Company. Since January 2020, Mr. Fei has been serving as the chairman of the Board of Tianjin Tianfu Property Management Co., Ltd.* (天津天孚物業管理有限公司) which is considered a material joint venture of the Group and is a strategic partner of the Group engaged in property management services in Tianjin.

Mr. Fei received his associate degree in accounting from Shandong University of Finance (currently known as Shandong University of Finance and Economics) in the PRC in July 1993. He obtained an intermediate qualification certificate in accounting issued by Ministry of Finance in October 2001.

NON-EXECUTIVE DIRECTORS

Mr. Luan Tao (欒濤) ("**Mr. Luan**"), aged 69, is the non-executive Director. He was appointed as a Director on 26 October 2020 and was re-designated as a non-executive Director of the Company on 25 May 2021. Mr. Luan is responsible for providing professional advice and judgement to the Board.

Mr. Luan has taken up an advisory role in Shandong Runhua by becoming one of the shareholders of Shandong Runhua since July 2015. Mr. Luan has more than 20 years of experience in business management. Prior to joining the Group, From July 1988 to July 1993, Mr. Luan served in various roles of Shandong Automobile Sales Company* (山東省汽車銷售公司) (currently known as Runhua Group Company), and the last positions of Mr. Luan were the deputy chairman of the Board and deputy general manager. Since July 1993, Mr. Luan has been serving Runhua Group Company as the current chairman of the board. Mr. Luan was awarded the Dezhou Ambassador of Talent Introduction (德州市引才大使) by Dezhou Municipal Committee of the Communist Party of China and Dezhou Municipal People's Government in October 2018. He was also awarded the "Outstanding Figures of Automobile Distribution Service Industry for Commemorating the 40th Anniversary of China's Reform and Opening Up (紀念改革開放40週年中國汽車經銷服務行業傑出人物) by China AUTO Dealers under Chamber of Commerce (中華工商業聯合會汽車經銷商商會) in December 2018.

Mr. Luan graduated from Dezhou Normal College (德州師範專科學院) in the PRC in July 1987. Mr. Luan is the father of Mr. Luan Hangqian and the spouse of Ms. Liang Yuefeng. He is also one of the Controlling Shareholders.

Mr. Luan Hangqian (欒航乾) ("**Mr. HQ Luan**"), aged 41, is the non-executive Director. He was appointed as a Director on 30 June 2020 and was re-designated as a non-executive Director of the Company on 25 May 2021, Mr. HQ Luan is responsible for providing professional advice and judgement to the Board.

Mr. HQ Luan has taken up an advisory role in Shandong Runhua by becoming one of the shareholders of Shandong Runhua since October 2016. Mr. HQ Luan has more than 10 years of experience in business management. Prior to joining the Group, Mr. HQ Luan joined Runhua Group Company since August 2007 and he has been currently serving as vice president. Since December 2013, Mr. HQ Luan has been serving as the chairman of the board of Runhua Automobile Holdings Ltd.* (潤華汽車控股有限公司), a company which scope of business includes information consulting service and finance consulting, where he is responsible for formulating overall operations and management of the company. Since May 2016, Mr. HQ Luan has been serving as a director of Shandong Runhua Insurance Agency Company Limited* (山東潤華保險代理股份有限公司)("**Runhua Insurance**"), a company listed on the NEEQ and is principally engaged in sales agents insurance.

Mr. HQ Luan received his bachelor's degree in finance from Shanghai Fudan University in the PRC in July 2004 and he subsequently received his master's degree in economics from Shandong University in the PRC in June 2007. Mr. HQ Luan is the son of Mr. Luan Tao and Ms. Liang Yuefeng. He is also one of the Controlling Shareholders.

Mr. Cheng Xin (程欣) ("**Mr. Cheng**"), aged 51, is the non-executive Director. He was appointed as a Director on 30 June 2020 and was re-designated as a non-executive Director of the Company on 25 May 2021. Mr. Cheng is responsible for providing professional advice and judgement to the Board.

Mr. Cheng joined the Group in September 2015 as the director of Shandong Runhua. Mr. Cheng has more than 20 years of experience in human resources and administrative management. Mr. Cheng has been serving in various roles of Runhua Group Company since March 1997, and successively served as manager of the export department, deputy chief of the secretary division of the president office, director of the general manager's office, director of the board office, manager of the human resources department and director of human resource and he currently serves as vice president. Since May 2016, Mr. Cheng has been serving as a director of Runhua Insurance.

Mr. Cheng received his bachelor's degree in international economy from Renmin University of China in the PRC in July 1994 and he subsequently received his master's degree in management from Shandong University in the PRC in December 2006. Mr. Cheng obtained level 1 enterprise human resources professional qualification issued by the Ministry of Human Resources and Social Security in August 2010. Mr. Cheng also obtained the senior economist qualification issued by Shandong Provincial Economic Vocational Qualification Senior Evaluation Committee (山東省經濟職業資格高級評估委員會) in December 2003.

DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Ms. Chen Haiping (陳海萍) ("**Ms. Chen**"), aged 45, is the independent non-executive Director of the Company. She was appointed as an independent non-executive Director on 30 December 2022. Ms. Chen is responsible for supervising and offering independent judgement to the Board.

Ms. Chen has over 10 years of finance and accounting experience. From July 1999 to August 2002, Ms. Chen served as business director in Industrial and Commercial Bank of China (Beihai Branch) (中國工商銀行北海市分行). From August 2007 to July 2009, Ms. Chen served in Greatwall Agri (Tieling) Co., Ltd. (大成農牧(鐵嶺)有限公司), a subsidiary of Dachan Food (Asia) Limited (stock code: 3999.HK). Since July 2009, Ms. Chen has been the chief financial officer of Huabei area of Beijing Shenghe Real Estate Development Co., Ltd. (北京升和房地產開發有限公司), a company principally engages in is real estate development and operations, where she was responsible for, amongst others, the company's fundraising management and daily fund operations and providing financial professional advice in respect of the investment and financing decisions made by the management team of the company.

Ms. Chen received her bachelor's degree in international trade from Southwestern University of Finance and Economics (西南財經大學) in the PRC in July 1999 and subsequently obtained an Master's Degree in Business Administration (MBA) from Tsinghua University (清華大學) and an international Master's Degree in Business Administration (IMBA) from Massachusetts Institute of Technology in July 2004 through the Tsinghua-MIT Global MBA Program. She is qualified as a non-practising member of The Chinese Institute of Certified Public Accountants in July 2014.

Ms. Bao Ying (鮑穎) ("**Ms. Bao**"), aged 63, is the independent non-executive Director of the Company. She was appointed as an independent non-executive Director on 30 December 2022. Ms. Bao is responsible for supervising and offering independent judgement to the Board.

Ms. Bao has many years of medical experience. From 2000 to 2005, Ms. Bao served as the director of electrocardiogram room of Shandong Carbon Mine Taishan Nursing Home (山東省煤碳泰山療養院). From December 2005 to June 2018, Ms. Bao successively served as the deputy physician and chief physician of Internal Medicine Department of Tai'an Central Hospital (泰安市中心醫院).

Ms. Bao received her bachelor's degree in clinical medicine from Shandong First Medical University (Shandong Academy of Medical Sciences) (formerly known as Taishan Medical School*) in the PRC in July 2011. She obtained an attending physician qualification issued by the Ministry of Human Resources and Social Security in Shandong Province in August 2015.

Ms. He Murong (何慕蓉) ("**Ms. He**"), aged 33, is the independent non-executive Director of the Company. She was appointed as an independent non-executive Director on 30 December 2022. Ms. He is responsible for supervising and offering independent judgement to the Board.

Ms. He has over nine years of experience in human resources and administrative management. From June 2012 to December 2014, Ms. He served as the assistant to the chairman of the board of directors of Guangzhou Honghai Human Resources Group Co., Ltd* (廣州紅海人力資源集團股份有限公司), where she was responsible for, amongst others, assisting the chairman of the board of directors in supervising the arrangement, inspection and implementation of the work of the company. Since January 2015, Ms. He has been serving as the chief operating officer of Guangzhou Redsea Cloud Computing Co., Ltd. (廣州紅海雲計算股份有限公司) (NEEQ: 873049), a company which is principally engaged in provision of software products and software service, where she is responsible for overseeing the day-to-day administrative and operational functions of the company.

Ms. He received her bachelor's degree in business management from Hunan University (湖南大學) in the PRC in July 2020. She obtained level 1 enterprise human resources professional qualification issued by the Ministry of Human Resources and Social Security in December 2014.

SENIOR MANAGEMENT

Mr. Zhang Yuqiang (張玉強), aged 45, is the deputy general manager. He served as a manager of Shandong Runhua Marketing Department in April 2011, and was then promoted to the deputy general manager of Shandong Runhua in March 2017. He also has been serving as the executive director of Jinan Runwu Landscape since December 2018. Mr. Zhang Yuqiang is responsible for overseeing the marketing department and rail transit business of the Group.

Prior to joining the Group, Mr. Zhang Yuqiang served as an administration specialist of Runhua Group Company from April 2008 to March 2011.

Mr. Zhang Yuqiang graduated from China University of Petroleum (UPC) in the PRC in July 2019 with a major in civil engineering by way of online learning.

Mr. Li Yi (李毅), aged 46, is the deputy general manager. He joined the Group in October 2002 and served as the security supervisor of Shandong Runhua. He also has been serving as the executive director of Shandong Shanyou and Jinan Runwu Construction since November 2017 and December 2018. Mr. Li Yi is responsible for overseeing the daily business operations and assisting in overall management of the Group.

Mr. Li Yi graduated from Yantai University in the PRC with a major in business management in January 2008. He is also an accredited property manager by the Ministry of Housing and Urban-Rural Development since December 2012.

DIRECTORS AND SENIOR MANAGEMENT

Ms. Li Yanyan (李豔豔), aged 42, is the deputy general manager. She joined the Group in July 2001 and she served in various roles in Shandong Runhua, including an assistant from July 2001 to October 2002, a project manager from October 2002 to December 2006, an assistant to the general manager from January 2007 to December 2007, secretary to the board of directors of Shandong Runhua from September 2015 to August 2019 and deputy general manager since January 2008. Ms. Li Yanyan is responsible for overseeing the daily business operations and assisting in overall management of the Group.

Ms. Li Yanyan graduated from Shandong University of Finance (currently known as Shandong University of Finance and Economics) in the PRC with a major in property management and construction cost management in July 2001. She is also a certified property manager recognised by the Ministry of Housing and Urban-Rural Development since December 2011.

Ms. Chen Jie (陳杰), aged 45, is the deputy general manager. She joined the Group in July 2001 and she served in various roles in Shandong Runhua, including an assistant from July 2001 to December 2002, a manager of the development department from January 2003 to December 2003, a project manager from January 2004 to December 2005, a manager of the development department from January 2006 to March 2008 and a deputy general manager since April 2008. Ms. Chen Jie is responsible for assisting the general manager to promote overall operation management of the Group.

Ms. Chen Jie received his bachelor's degree in real estate operation and management from Shandong Institute of Architecture & Engineering (currently known as Shandong Jianzhu University) in the PRC in July 2001. She obtained the intermediate economist (business management) qualification issued by the Ministry of Human Resources and Social Security in February 2012 and she is also a certified property manager recognised by the Ministry of Housing and Urban-Rural Development since June 2014.

Ms. Fu Lili (傅麗莉), aged 44, is the chief financial officer since April 2020. She joined the Group in April 2020 as chief financial officer of Shandong Runhua. Ms. Fu Lili is responsible for overseeing the financial and taxation affairs of the Group.

Prior to joining the Group, Ms. Fu Lili served as a manager of the finance department of Runhua Automobile Holdings Ltd* (潤華汽車控股有限公司) from June 2008 to October 2009. From November 2009 to November 2010, Ms. Fu Lili served as a listing manager of Runhua Group Company. From December 2010 to December 2015, Ms. Fu Lili served as a senior financial manager of Runhua Group Company, where she is responsible for reviewing the financial data of the company. From January 2016 to December 2017, Ms. Fu Lili served as a chief financial officer of Shandong Runhua Pharmaceutical Company Limited* (山東潤華藥業有限公司). From January 2018 to December 2020, Ms. Fu Lili served as the deputy general manager of the finance department of Runhua Group Company.

Ms. Fu Lili graduated from the Party School of Shandong Provincial Committee (山東省委黨校) in the PRC with a major in financial management in December 2009. She obtained her senior accountant qualification from the Ministry of Human Resources and Social Security of Jinan (濟南市人社局) in June 2019.

Mr. Ma Xun (馬迅), aged 47, is the secretary to the Board since October 2020. He joined the Group in October 2020. Mr. Ma Xun is responsible for the daily work of the Board, information disclosure and investor relations management of the Group.

Prior to joining the Group, Mr. Ma Xun served as the chief financial officer of Qingdao Runhua Automobile Sales Service Co., Ltd.* (青島潤華汽車銷售服務有限公司), a company which scope of business includes motor vehicle repair and maintenance, where he was responsible for the financial planning of the company, from March 2006 to March 2010. From March 2010 to May 2016, Mr. Ma Xun served as the deputy general manager of the finance department of Runhua Group Company. From May 2016 to October 2020, Mr. Ma Xun served as the deputy general manager and secretary to the board of Runhua Insurance.

Mr. Ma Xun received his bachelor's degree in management from Shandong University in the PRC in October 2000 and master's degree in project management engineering from Shandong University in June 2014. He obtained the qualification certificate of secretary to the board of directors issued by the Shenzhen Stock Exchange in August 2016 and the qualification certificate of Secretary to the board of directors issued by NEEQ in November 2017. He also obtained the senior economist qualification issued by the Ministry of Human Resources and Social Security of Jinan in June 2019.

COMPANY SECRETARY

Ms. Szeto Kar Yee Cynthia (司徒嘉怡) was appointed as the company secretary on 25 May 2021. Ms. Szeto Kar Yee Cynthia is an associate member of the Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom. She obtained a bachelor's degree of Arts in Language Studies with Business from The Hong Kong Polytechnic University in November 2004 and a master's degree of Science in Professional Accounting and Corporate Governance from City University of Hong Kong in July 2012. Ms. Szeto has more than 10 years of professional and in-house experience in company secretarial field.

DIRECTORS' REPORT

The Board is pleased to announce the annual report for the year ended 31 December 2022 (the "**Annual Report**") and the audited consolidated financial statements of the Group.

GENERAL INFORMATION

The Company was incorporated in the Cayman Islands with limited liability on 30 June 2020. The shares of the Company were listed on the Main Board of the Stock Exchange on 17 January 2023. The Company issued 75,000,000 ordinary shares with a par share of US$0.0001 each at an offer price of HK$1.70 per share, raising net proceeds of HK$89.9 million (after deducting the Listing expenses).

PRINCIPAL BUSINESS

The Company is an investment holding company. The Group and its subsidiaries are principally engaged in provision of property management services in the PRC. An analysis of the Group's principal business for the Reporting Period is set out in note 1 to the consolidated financial statements.

RESULTS

The results of the Group for the Reporting Period are set out in the consolidated statements profit or loss on page 89 of the Annual Report.

FINAL DIVIDEND

The Board does not recommend the payment of any final dividend for the year ended 31 December 2022 (2021: Nil).

TAX RELIEF AND EXEMPTION

The Directors are not aware of any tax relief or exemption available to the Shareholders by reason of their holding of the Company's securities.

DIVIDEND POLICY

The Company has adopted a dividend policy (the "**Dividend Policy**") in March 2023. The declaration of dividends is subject to the discretion of the Board and the approval of the Shareholders. The Directors may recommend a payment of dividends in the future after taking into account the future operations and earnings, business development, capital requirements and surplus, general financial conditions, contractual restrictions and such other actors as the Directors consider appropriate. Any declaration and payment as well as the amount of the dividends will be subject to the constitutional documents of the Company and the Cayman Companies Act, including the approval of the Shareholders. Any declaration of final dividends will also require the approval of the Shareholders in general meeting. No dividend shall be declared or paid except out of the Company's distributable profit and lawfully available for distribution under the Cayman Companies Act.

As at the date of this report, there is no arrangement under which a Shareholder has waived or agreed to waive any dividend (including future dividends).

BUSINESS REVIEW

Detailed business review and future development are set out in the section headed "Management Discussion and Analysis" of this report from pages 7 to 16 and "Chairman's Statement" in this report from pages 5 to 6.

ENVIRONMENT POLICY AND PERFORMANCE

The "Environmental, Social and Governance Report for the year ended 31 December 2022" (the "**ESG Report**") is prepared in accordance with the Environmental, Social and Governance Reporting Guide (the "**Guide**") under Appendix 27 of the Listing Rules and satisfies the mandatory disclosure requirements and "comply or explain" provisions. The ESG Report follows the four reporting principles, namely Materiality, Quantitative, Balance and Consistency as stipulated in the Guide. The ESG Report is set out on pages 60 to 83 of this report.

COMPLIANCE WITH RELEVANT LAWS AND REGULATIONS

The Company strictly complied with the following laws and regulation which may have a significant impact on its operation: (a) the laws and regulations relating to property management services: the laws, regulations and policies relating to qualification of property management service company, appointment, fees, outsourcing and long-term rental apartment business and hotel business; (b) other significant laws and regulations of the PRC affecting the Group's business: the laws and regulations relating to foreign investment, foreign exchange, labour and social security, social insurance and housing fund, taxation, intellectual property, environment protection and fire control.

During the Reporting Period, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

FINANCIAL SUMMARY

A summary of the results and of the assets and liabilities of the Group for the last five financial years are set out on page 4 of this report. This summary does not form part of the audited consolidated financial statements.

MAJOR CUSTOMERS AND SUPPLIERS

For the Reporting Period, the transaction value of the Group's five largest customers accounted for 20.34% (2021: 25.5%) of the Group's total revenue, and the transaction value of the largest customer accounted for 4.67% (2021: 7.0%) of the Group's total revenue.

When calculating the five largest customers for the Reporting Period, the Group aggregated revenue contribution from customers under common control and their subsidiaries, joint ventures and associates.

Mr. Luan Tao and Mr. Luan Hangqian, being the non-executive Directors and Controlling Shareholders, have interests in Runhua Group Company and Hang Qian Holdings Co., Limited (航乾控股有限公司) ("**Hang Qian Holdings**"), which were two of the five largest customers for the Reporting Period.

Runhua Group Company, a company incorporated with limited liability in the PRC on 18 June 1993 and is owned as to approximately 52% by Mr. Luan Tao, owns a group of entities of which the principal business activities includes sale and service of motor vehicles, car rental, finance investment, pharmaceutical and other comprehensive business. Hang Qian Holdings, a company incorporated with limited liability in Hong Kong on 18 December 2007 and is wholly owned by Mr. Luan Hangqian, owns a group of entities of which the principal business activities includes property development, property marketing and hotel operations.

For the Reporting Period, the transaction value of the Group's five largest suppliers accounted for 49.9% (2021: 49.6%) of the Group's total procurement costs, and the transaction value of the largest supplier accounted for 27.0% (2021: 22.3%) of the Group's total procurement costs.

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, own more than 5% of the number of issued shares of the Company) had any beneficial interest in the Group's five largest customers and suppliers.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on 17 January 2023 with the global offering of ordinary shares of the Company, including a public offering in Hong Kong of 7,500,000 shares and an international offering of 67,500,000 shares, in each case at a price of HK$1.70 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 option) amounted to HK$89.9 million. Since the Listing on the Stock Exchange only took place on 17 January 2023, the net proceeds have not been used. Such proceeds is expected to be applied in the manner consistent with that in the Prospectus:

Usage	% of total proceeds	Planned allocation of net proceeds	Utilised net proceeds up to the date of this report	Unutilised net proceeds up to the date of this report	Expected timeline for full utilisation of the balance
		HK$ million (approximately)	HK$ million (approximately)	HK$ million (approximately)	
Making strategic investments and acquisitions to expand the property management business	54.3	48.8	–	48.8	By the end of 2025
Developing, strengthening and implementing the information technologies	28.0	25.2	–	25.2	By the end of 2025
Improving staff motivation mechanism to attract, cultivate and retain talents	17.7	15.9	–	15.9	By the end of 2025
	100.0	89.9	–	89.9	

The net proceeds are currently held in bank deposits and it is intended that it will 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.

SHARE CAPITAL

Details of the movements in the share capital of the Company for the Reporting Period are set out in note 28 to the consolidated financial statements.

EQUITY-LINKED AGREEMENT

There were no equity-linked agreements entered into or outstanding at year-end by the Company or any of its subsidiaries for the Reporting Period.

RESERVES

Details of the movements in the reserves of the Company and the Group during the Reporting Period are set out in the consolidated statement of changes in equity on pages 93 and 94 of this report.

DONATIONS

During the Reporting Period, no charitable and other donation made by the Group (2021: Nil).

PROPERTY AND EQUIPMENT

Details of movements in the property and equipment of the Group during the year ended 31 December 2022 are set out in note 13 to the consolidated financial statements of this report.

RESERVES AVAILABLE FOR DISTRIBUTION

As at 31 December 2022, the Company had no reserve available for distribution to shareholders (2021: Nil).

BANK LOANS AND OTHER BORROWINGS

During the Reporting Period, save as the bank loans and other borrowings as disclosed in note 27 to the consolidated financial statements, the Group did not have any bank loans and other borrowings.

DIRECTORS' REPORT

DIRECTORS

Since the Listing Date and up to the date of this report, the Directors were as follows:

Executive Directors

Mr. Yang Liqun *(chairman of the Board)*
Mr. Fei Zhongli *(Chief Executive Officer)*

Non-executive Directors

Mr. Luan Tao
Mr. Luan Hangqian
Mr. Cheng Xin

Independent Non-Executive Directors

Ms. Chen Haiping
Ms. Bao Ying
Ms. He Murong

The biographical details of the Directors and the senior management of the Company are set out in the section headed "Directors and Senior Management" in this report.

In accordance with article 16.18 of the articles of association of the Company (the "**Articles of Association**"), one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less 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. Further, article 16.2 of the Articles of Association provides that any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting after his/her appointment and shall be eligible for re-election at that meeting and any Director appointed by the Board as an addition to the existing Board shall hold office only until the next following annual general meeting of the Company and shall than be eligible for re-election.

In accordance with the Articles of Association, Mr. Yang Liqun, Mr. Fei Zhongli, Mr. Luan Tao, Mr. Luan Hangqian, Mr. Cheng Xin, Ms. Chen Haiping, Ms. Bao Ying and Ms. He Murong will retire and, being eligible, offer themselves for re-election at the forthcoming AGM.

Details of the Directors to be re-elected at the AGM are set out in the circular to be despatched the Shareholders on or around 30 April 2023.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received confirmation of independence from each of the independent non-executive directors pursuant to Rule 3.13 of the Listing Rules. The Company is of the opinion that they are independent from the Listing Date up to the date of this report.

DIRECTORS' SERVICE CONTRACTS AND LETTERS OF APPOINTMENT

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date, which may be terminated by either the relevant executive Director or the Company by giving not less than three months' notice in writing to the other party. The appointment of executive Directors is subject to the retirement and rotation requirements of the Directors under the Articles of Association.

Each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date. Pursuant to their respective letters of appointment, each of the independent non-executive Directors is entitled to receive a fixed director's fee and the non-executive Directors are not entitled to receive any remuneration. Such appointment is subject to the retirement and reelection by rotation requirements under the Articles of Association and the applicable Listing Rules.

Save as disclosed above, none of the Directors has entered into any service contract with any member of the Group, other than contracts expiring within one year or terminable by the employer without payment of compensation (other than statutory compensation).

DIRECTORS' INTERESTS IN COMPETING BUSINESS

During the Reporting Period, none of the Directors, the management, shareholders of the Company nor their respective associates (as defined in the Listing Rules) had any interest in a business that competed or might compete with the business of the Group.

NON-COMPETITION UNDERTAKING

Each of the controlling shareholders of the Group, namely Springrain Investment Limited, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng (the "**Controlling Shareholders**"), has entered into a deed of non-competition dated 14 December 2022 (the "**Undertakings**") details of which are disclosed in the Prospectus. The Controlling Shareholders have confirmed to the Company that, since the Listing Date and up to the date of this report, they have complied with the Undertakings. The independent non-executive Directors had reviewed the status of compliance and the confirmation provided by each of the Controlling Shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from all of them regarding the Undertakings; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Undertakings being questionable, the independent non-executive Directors are of the view that the Undertakings have been complied with and been enforced by the Company in accordance with the terms.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the Reporting Period and up to the date of this report.

CHANGE IN INFORMATION IN RESPECT OF DIRECTORS

There was no change to any of the information required to be disclosed in relation to any Director pursuant to paragraphs (a) to (e) and (g) of the Rule 13.51(2) of the Listing Rules from the Listing Date to the date of this report.

DIRECTORS' EMOLUMENTS AND FIVE HIGHEST PAID INDIVIDUALS

The remuneration of the Directors is paid in the form of salaries, allowances, benefits in kind, pension scheme contributions and share-based payments.

The Company has established the Remuneration Committee in compliance with Rule 3.25 of the Listing Rules (with effect from the Listing Date) and with written terms of reference in compliance with the Corporate Governance Code. The primary duties of the Remuneration Committee are to review and make recommendations to the Board regarding the terms of remuneration packages, bonuses and other compensation payable to the Directors and senior management, to establish a formal and transparent procedure for developing policy to review the terms of incentive schemes and directors' service contracts, and to recommend the remuneration packages for all Directors and senior management.

The Directors and the senior management members are eligible participants of the Post-IPO Share Option Scheme and Pre-IPO RSU Scheme.

Details of the remuneration of the Directors and those of the five highest paid individuals of the Group for the Reporting Period are set out in note 8 and note 9 to the consolidated financial statements of the Group in this report. None of the Directors waived his/her emoluments nor has agreed to waive his/her emoluments for the Reporting Period.

RETIREMENT BENEFITS SCHEME

The Group does not have any employee who is required to participate in mandatory provident fund in Hong Kong. The employees of the PRC subsidiaries are members of the state-managed retirement benefits scheme operated by the PRC government. The employees of the PRC subsidiaries are required to contribute a certain percentage of their payroll to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to this retirement benefits scheme is to make the required contributions under the scheme. The forfeited contributions may not be used by the Group to reduce the existing level of contributions.

PERMITTED INDEMNITY PROVISION

Each Director is entitled to be indemnified by the Company against all losses or liabilities which he/she may sustain or incur in carrying out his/her functions. The Company has also arranged appropriate insurance in respect of potential legal actions against the Directors arising out of corporate activities.

SHARE INCENTIVE SCHEMES

(i) Post-IPO Share Option Scheme

The Company adopted a share option scheme through written shareholders' resolution on 14 December 2022 (the "**Post-IPO Share Option Scheme**"). The Post-IPO Share Option Scheme shall be valid and effective for a period of 10 years commencing on the date on which the Post-IPO Share Option Scheme is adopted and shall expire at the close of business on the business day immediately preceding the tenth anniversary thereof unless being terminated earlier by the Shareholders in general meeting. Accordingly, as at 31 March 2023, the remaining life of the Post-IPO Share Option Scheme is approximately nine years and nine months.

Purpose

The purpose of the Post-IPO Share Option Scheme is to provide an incentive or reward for the grantees for their contribution or potential contribution to the Group.

Selected Participants

The Directors (which expression shall, for the purpose of this paragraph, include the Board or a duly authorised committee thereof) may, at their absolute discretion, invite (i) any director and employee of any member of the Group; and (ii) any director or employee of any of the holding companies, fellow subsidiaries or associated companies of the Company (the "**Participant**"), who the Board considers, in its sole discretion, have contributed or will contribute to the development and growth of the Group, to take up options to subscribe for Shares.

Maximum Number of the Shares

The maximum number of Shares in respect of which options and awards may be granted under the Post-IPO Share Option Scheme and any other schemes of the Company shall not in aggregate exceed the number of Shares that shall represent 10% of the total number of Shares in issue immediately upon completion of the Global Offering and the capitalisation issue, which is 30,000,000 Shares representing 10% of the total number of Shares in issue as at the date of this report.

Maximum Entitlement of a Participant

Where any further grant of options to a Participant, if exercised in full, would result in the total number of Shares already issued or to be issued upon exercise of all options or awards granted and to be granted to such Participant (including exercised, cancelled and outstanding options) in any twelve (12) month period up to and including the date of such further grant exceed 1% of the total number of Shares in issue, such further grant must be separately approved by the Shareholders in general meeting with such Participant and his close associates (or associates if the Grantee is a connected person) abstaining from voting.

Exercise price

The price per Share at which a Participant may subscribe for Shares upon exercise of an option (the "**Exercise Price**") shall be determined by the Board in its sole discretion but in any event shall be at least the highest of:

(i) the official closing price of the Shares as stated in the Stock Exchange's daily quotations sheets on the date of the offer of grant, which must be a business day;

(ii) the average of the official closing prices of the Shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of the offer of grant; and

(iii) the nominal value of a Share; provided that for the purpose of determining the Exercise Price under sub-paragraph (ii) above where the Shares have been listed on the Stock Exchange for less than five Business Days preceding the date on which the option is offered to the Participant, the issue price of the Shares in connection with such listing shall be deemed to be the closing price of the Shares for each Business Day falling within the period before the listing of the Shares on the Stock Exchange.

A nominal consideration of HK$1.00 is payable upon acceptance of the grant of an option.

Time of vesting and exercise of options

An offer made to a participant shall remain open for acceptance by such participant for a period of five business days from the offer date (inclusive of the offer date). Any offer must be accepted in its entirety and can under no circumstances be accepted of less than the number of Shares for which it is offered.

An option may be exercised in accordance with the terms of the Post-IPO Share Option Scheme at any time during a period to be determined and notified by the Directors to each grantee, which period may commence on a day after the date upon which the offer for the grant of options is made but shall end in any event not later than 10 years from the date on which an option is offered to a participant, subject to the provisions for early termination under the Post-IPO Share Option Scheme. In any event, the minimum period for which an option must be held before it can be exercised shall be 12 months.

Grant of Options

An offer shall be made to an Eligible Participant by an offer document in such form as the Board may from time to time determine (the "**Offer Document**"), requiring the participant to undertake to hold the option on the terms on which it is to be granted and to be bound by the provisions of the Post-IPO Share Option Scheme.

An option shall be deemed to have been granted to (subject to certain restrictions in the Post-IPO Share Option Scheme), and accepted by, the Participant (and to have taken effect upon the issue of an option certificate after the duplicate Offer Document comprising acceptance of the option duly signed by the Participant, together with a remittance in favour of the Company of HK$1.00 by way of consideration for the grant of the option is received by the Company on or before the last day for acceptance set out in the Offer Document. The remittance is not in any circumstances refundable and shall be deemed as part payment of the Exercise Price. Once accepted, the option is granted as from the date on which it was offered to the Grantee.

No Options Granted under the Post-IPO Share Option Scheme

Between the Listing Date and up to the date of this report, no share options had been granted, exercised, cancelled or lapsed pursuant to the Post-IPO Share Option Scheme since its adoption and there is no outstanding share option under the Post-IPO Share Option Scheme.

For details of the Post-IPO Share Option Scheme, please refer to the section headed "Statutory and General Information – D. Share Incentive Scheme – I. Post-IPO Share Option Scheme" in the Appendix V to the Prospectus.

(ii) Pre-IPO RSU Scheme

The Group adopted the pre-IPO restricted share unit scheme (the "**Pre-IPO RSU Scheme**") on 14 December 2022 to incentivise employees and officers. The Company has appointed Tricor Trust (Hong Kong) Limited as the RSU Trustee to assist with the administration and vesting of restricted share units ("**RSU**") granted pursuant to the RSU Scheme. The Company selects the RSU participants under the Pre-IPO RSU Scheme at its discretion before the Listing.

The Pre-IPO RSU Scheme shall be each valid and effective for a term of ten years commencing on the adoption date, being 14 December 2022. The vesting period for an award of RSUs shall be the fifth anniversary year after the grant of award of RSUs, or any other time as determined by the Board or an advisory committee appointed by the Board (the "**Advisory Committee**"). The vesting price shall be HK$1.5 per awarded Share. The Board or the Advisory Committee shall have the right to adjust the vesting price from time to time. As at 31 December 2022, RSUs in respect of 5,569,306 underlying Shares (representing approximately 1.86% of the total issued shares as at the date of this report) had been granted to five RSU participants pursuant to the Pre-IPO RSU Scheme.

The following table shows the details of the RSUs granted by the Company under the Pre-IPO RSU Scheme on an individual basis:

Name	Position held within the Group	Number of underlying Shares represented by the RSUs	Date of grant	Approximate percentage shareholding as at the date of this report	Vesting period
Cui Yongsheng (崔永生)	Officer for the office of the board of directors of Shandong Runhua	1,113,862	20 December 2022	0.37%	5 years from the date of grant
Yu Xue (于雪)	General manager of finance department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Li Zhigang (李智剛)	Head of human resources department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Yu Sumin (于蘇敏)	Head of quality assurance department of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant
Wang Yating (王雅婷)	Deputy general manager and head of operation and risk control management centre of Shandong Runhua	1,113,861	20 December 2022	0.37%	5 years from the date of grant

None of the grantees of the RSUs under Pre-IPO RSU Scheme are Directors, members of the senior management of the Company or otherwise core connected person of the Company.

For details of the Pre-IPO RSU Scheme, please refer to the section headed "Statutory and General Information – D. Share Incentive Scheme – II. Pre-IPO RSU Scheme" in the Appendix V to the Prospectus.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ITS ASSOCIATED CORPORATIONS

As at the date of this report, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or its associated corporation (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (the "**SFO**")) which were required to be entered in the register kept by the Company pursuant to section 352 of the SFO, or which were otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code under the Listing Rules, are set out below:

Director	Nature of interests	Number of issued Shares held	Percentage of interest
Mr. Luan Tao[(2)(3)]	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Mr. Luan Hangqian[(3)(4)]	Interest in a controlled corporation; Interest held jointly with another person	164,706,700	54.90%
Mr. Yang Liqun[(5)]	Interest in a controlled corporation	9,467,821	3.16%
Mr. Fei Zhongli[(6)]	Interest in a controlled corporation	2,896,039	0.97%
Mr. Cheng Xin[(7)]	Interest in a controlled corporation	5,569,306	1.86%

Notes:

1. All the interests disclosed above represent long positions in the Shares.

2. Springrain Investment Limited is held as to 59.85% by Mr. Luan Tao. Therefore, Mr. Luan Tao is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Mr. Luan Tao is the spouse of Ms. Liang Yuefeng and therefore Mr. Luan Tao is deemed to be interested in the Shares held by Ms. Liang Yuefeng.

3. On 18 June 2021, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Springrain Investment Limited, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng is deemed to be interested in approximately 54.90% of the issued share capital of the Company as at the date of this report.

4. Springrain Investment Limited is held as to 37.10% by Mr. Luan Hangqian. Therefore, Mr. Luan Hangqian is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO.

5. Shares in which Mr. Yang Liqun is interested consist of 9,467,821 Shares held by Yangliqun Ltd, a company wholly-owned by Mr. Yang Liqun, in which Mr. Yang Liqun is deemed to be interested under the SFO.

6. Shares in which Mr. Fei Zhongli is interested consist of 2,896,039 Shares held by Feizhongli run heart service Ltd, a company wholly-owned by Mr. Fei Zhongli, in which Mr. Fei Zhongli is deemed to be interested under the SFO.

7. Shares in which Mr. Cheng Xin is interested consist of 5,569,306 Shares held by Chengxin&Susan Ltd, a company wholly-owned by Mr. Cheng Xin, in which Mr. Cheng Xin is deemed to be interested under the SFO.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN THE SHARES AND UNDERLYING SHARES

So far as is known to the Company, as at the date of this report, as recorded in the register required to be kept by the Company under section 336 of the SFO, the following persons, other than a Director or chief executive of the Company, had an interest of 5% or more in the Shares or underlying Shares:

Name	Nature of interests	Number of issued Shares held	Percentage of interest
Mr. Luan Tao[2][3]	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Mr. Luan Hangqian[3][4]	Interest in a controlled corporation; Interest held jointly with another person	164,706,700	54.90%
Ms. Liang Yuefeng[3][4][5]	Interest in a controlled corporation; Interest held jointly with another person; Interest of spouse	164,706,700	54.90%
Springrain Investment Limited	Beneficial owner	164,706,700	54.90%
Jinan Huaiyin Urban Construction Investment Group Co., Ltd.* (濟南槐蔭城市建設投資集團有限公司)[6]	Beneficial owner	26,478,000	8.83%

Notes:

1. All the interests disclosed above represent long positions in the Shares.

2. Springrain Investment Limited is held as to 59.85% by Mr. Luan Tao. Therefore, Mr. Luan Tao is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Mr. Luan Tao is the spouse of Ms. Liang Yuefeng and therefore Mr. Luan Tao is deemed to be interested in the Shares held by Ms. Liang Yuefeng.

3. On 18 June 2021, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into the Concert Parties Confirmatory Deed, pursuant to which they reaffirmed that they had been acting in concert in respect of each of the members of the Group before the date of the Concert Parties Confirmatory Deed, and shall continue the same thereafter. As such, pursuant to the parties acting in concert arrangement, each of the Controlling Shareholders, i.e. Springrain Investment Limited, Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng is deemed to be interested in approximately 54.90% of the issued share capital of the Company as at the date of this report.

4. Springrain Investment Limited is held as to 37.10% by Mr. Luan Hangqian. Therefore, Mr. Luan Hangqian is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO.

5. Springrain Investment Limited is 3.05% held by Ms. Liang Yuefeng. Therefore, Ms. Liang Yuefeng is deemed to be interested in the Shares which Springrain Investment Limited is interested in under the SFO. Ms. Liang Yuefeng is the spouse of Mr. Luan Tao and therefore Ms. Liang Yuefeng is deemed to be interested in the Shares held by Mr. Luan Tao.

6. Jinan Huaiyin Urban Construction Investment Group Co., Ltd.* (濟南槐蔭城市建設投資集團有限公司) is wholly-owned by Development and Reform Bureau of Huaiyin District, Jinan City* (濟南市槐蔭區發展和改革局).

Save as disclosed above, as at the date of this report, the Company had not been notified of any persons (other than a Director or chief executive of the Company) who had an interest or short position in the Shares or underlying Shares that were recorded in the register required to be kept under section 336 of the SFO.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no transactions, arrangements or contracts of significance in relation to which the Company, its holding company or subsidiaries was a party and in which a Director or his connected entities had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

From the Listing Date to the date of this report, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Articles of Association or the laws of the Cayman Islands that would oblige the Company to offer new shares on a pro-rata basis to the existing Shareholders.

CONTRACTS OF SIGNIFICANCE

Save as disclosed in this report, no contracts of significance (i) in relation to the Group's business; or (ii) for provision of services to the Company (or any of its subsidiaries) by a controlling shareholder (or any of its subsidiaries) between the Company (or any of its subsidiaries) and a controlling shareholder (or any of its subsidiaries) subsisted during or at the end of the Reporting Period.

CONTINUING CONNECTED TRANSACTIONS

As the Company was listed on the Main Board of the Stock Exchange since 17 January 2023 and was not a listed company during the Reporting Period, the annual review and reporting requirements under Chapter 14A of the Listing Rules were not applicable to the Company for the Reporting Period. After the Listing, transactions between members of the Group and the connected persons became connected transactions or continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the Group's continuing connected transactions which are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rule, the terms of which became effective on the Listing Date, are set out below.

Connected persons

(i) Runhua Group Company is owned as to approximately 52% by Mr. Luan Tao and therefore is an associate of Mr. Luan Tao.

(ii) Hang Qian Holdings is wholly owned by Mr. Luan Hangqian and therefore is an associate of Mr. Luan Hangqian.

(iii) Runhua Insurance is owned by Mr. Luan Tao as to approximately 50.42% and therefore is an associate of Mr. Luan Tao. Runhua Insurance is also owned as to approximately 21.57%, 21.19% and 6.19% by Mr. Luan Hangqian, Jinan Defang Investment Partnership (Limited Liability Partnership) (濟南德方投資合夥企業(有限合夥)) ("**Jinan Defang**") and Jinan Huiduo Business Consulting Partnership (Limited Liability Partnership) (濟南匯鐸商務諮詢合夥企業(有限合夥)) ("**Jinan Huiduo**") respectively. As Mr. Luan Hangqian is the managing partner of Jinan Defang and Jinan Huido and controls more than 30% of the same, Runhua Insurance is therefore also an associate of Mr. Luan Hangqian.

Property Management Services Framework Agreement

On 14 December 2022, the Company entered into a property management services framework agreement (the "**Property Management Services Framework Agreement**") with Runhua Group Company, Hang Qian Holdings and Runhua Insurance, pursuant to which the Group agreed to provide the property management services to Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates (the "**Parties to the Property Management Services Framework Agreement**"), including but not limited to (i) cleaning and disinfection services; (ii) security services; (iii) general repair and maintenance services; and (iv) customers services, commencing from the Listing Date to 31 December 2024.

Runhua Group Company, Hang Qian Holdings and Runhua Insurance and their respective associates and the Group will further enter into individual agreements that prescribe the specific terms and conditions pertaining to each project. The parties and their respective associates will enter into separate subsidiary agreements setting out the specific terms and conditions (including the fees of the products and/or services and payment methods) in respect of the relevant services based on the principles under the Property Management Services Framework Agreement.

The annual caps of the fees payable to the Group by the Parties to the Property Management Services Framework Agreement for years ended/ending 31 December 2022 and 2023 would/will not exceed RMB35.3 million and RMB40.1 million, respectively.

The annual caps under the different agreements under the Property Management Framework Agreement and the corresponding audited actual transaction amount for the Reporting Period were as follow:

	For the year ended 31 December 2022	
	Annual Caps RMB'000	Audited Transaction Amount RMB'000
Property Management Framework Agreement	35,300	32,457

Master Property Engineering and Landscape Construction Agreement

On 14 December 2022, the Company entered into a master property engineering and landscape construction agreement with Runhua Group Company and Hang Qian Holdings (the "**Master Property Engineering and Landscape Construction Agreement**"), pursuant to which the Group agreed to provide property engineering and landscape construction services to Runhua Group Company and Hang Qian Holdings and their respective associates (the "**Parties to the Master Property Engineering and Landscape Construction Agreement**"), including but not limited to (i) provision of landscape maintenance work services and (ii) repair and maintenance services, interior renovation services, alteration and additional of existing buildings and facilities and installation of elevators commencing from the Listing Date to 31 December 2024.

The Parties to the Master Property Engineering and Landscape Construction Agreement and the Group will further enter into individual agreements that prescribe the specific terms and conditions pertaining to each project. The parties and their respective associates will enter into separate subsidiary agreements setting out the specific terms and conditions (including the fees of the products and/or services and payment methods) in respect of the relevant services based on the principles under the Master Property Engineering and Landscape Construction Agreement.

The annual caps of the fees payable to the Group by the Parties to the Master Property Engineering and Landscape Construction Agreement for years ended/ending 31 December 2022 and 2023 would/will not exceed RMB23.2 million and RMB25.3 million, respectively.

The annual caps under the different agreements under the Master Property Engineering and Landscape Construction Agreement and the corresponding audited actual transaction amount for the Reporting Period were as follow:

	For the year ended 31 December 2022	
	Annual Caps RMB'000	Audited Transaction Amount RMB'000
Master Property Engineering and Landscape Construction Agreement	23,200	18,072

In accordance with Rule 14A.55 of the Listing Rules, the continuing connected transactions set out above have been reviewed by the independent non-executive Directors who confirmed that the aforesaid continuing connected transactions were entered into:

(i) in the ordinary and usual course of business of the Group;

(ii) on normal commercial terms or better; and

(iii) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the Company's external auditor, Ernst & Young, was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 (Revised) Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants.

Ernst & Young has issued an unqualified letter containing findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Save as the above continuing connected transactions, related party transactions of the Group during the Reporting Period set out in note 35 to the consolidated financial statements in this report did not constitute connected transaction or continuing connected transactions of the Company as defined under Chapter 14A of the Listing Rules during the Reporting Period and the Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules. If such related party transactions constitute connected transactions of the Company after the Listing, the Company will strictly comply with the relevant requirements under the Listing Rules.

PROPERTY INTERESTS AND PROPERTY VALUATION

The Company has valued the property interests of the Group and included such valuation in the Prospectus and those property interests are not stated at valuation (or at subsequent valuation) in the financial statement. The valuation of the property interests of the Group as at 31 October 2022 was RMB120.0 million as included in the Prospectus. Had the property interests been stated at such valuation, the additional depreciation that would be charged against the statement of comprehensive income during the Reporting Period would be approximately RMB2.1 million.

Further, details of the investment properties of the Group are set out in note 14 to the financial statements and as follows:

Location	Existing use	Lease term
Unit 307 on 3/F, whole floors of 5/F and 17/F, Building No. 1–2 Lemeng Center, No. 28988 Jingshi Road, Huaiyin District, Jinan City, Shandong Province, the PRC	Offices	Long term
No. 2, Danfeng Street, Dong Gongshang Helu, Tianqiao District, Jinan City, Shandong Province, the PRC	Offices	Medium term
West of the middle section of Mingbu East Road, Zhangqiu District Development Zone, Jinan City, Shandong Province, the PRC	Factories	Long term
Nos. 113, 114, 115, 219, 220, 305–313, 403–415 and 5–24/F, The Door Of Qilu, Qi Zhou Lu, Huai Yin District, Jinan City, Shandong Province, the PRC	Offices	Long term

AUDITOR

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

There is no change of independent auditors for the Reporting Period and up to the date of this report.

AUDIT COMMITTEE

The Audit Committee had, together with the Company's management and representative(s) of the external auditors of the Company, Ernst & Young reviewed the annual results and the accounting policies and practices adopted by the Group, and discussed matters in relation to audit, risk management, internal control and financial statements, including reviewing the Group's consolidated financial statements for the Reporting Period.

CORPORATE GOVERNANCE CODE

The Company is committed to maintaining high level of corporate governance practices. Information about the corporate governance practices adopted by the Company are set out in the section headed "Corporate Governance Report" on pages 42 to 59 in this report.

MATERIAL LEGAL PROCEEDINGS

During the Reporting Period and up to the date of this report, the Company was not involved in any material legal proceeding or arbitration. To the best knowledge of the Directors, save as disclosed above, there is no material legal proceeding or claim which is pending or threatened against the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the best knowledge of the Directors, the Company has maintained sufficient public float as required by the Listing Rules and at least 25% of the Company's entire issued share capital were held by the public as at the date of this report.

EVENTS AFTER THE REPORTING PERIOD

Details of significant events occurring after the Reporting Period are set out in the section headed "Management Discussion and Analysis" on page 16 and note 39 to the consolidated financial statements.

On behalf of the Board

Yang Liqun
Chairman and Executive Director

Hong Kong, 30 March 2023

CORPORATE GOVERNANCE REPORT

The Board of Directors is pleased to present the corporate government report of the Company for the Reporting Period.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining high standards of corporate governance and achieving good corporate governance by an effective Board, segregation of duties with clear accountability, sound internal controls and risk management procedures and transparency to Shareholders in order to safeguard the interests of Shareholders and to enhance corporate value and accountability.

The Company was incorporated in the Cayman Islands on 30 June 2020 with limited liability. The Company's Shares have been listed on the Main Board of the Stock Exchange since 17 January 2023. As the Company was not listed as at 31 December 2022, the Corporate Governance Code does not apply to the Company during the Reporting Period but has applied to the Company since the Listing Date. The chairman of the Board takes primary responsibility for ensuring that good corporate governance practices and procedures are established. The Company has adopted the Corporate Governance Code and Corporate Governance Report contained in the CG Code as its own corporate governance code.

In the opinion of the Board, the Company has complied with all applicable code provisions under the CG Code during the period from the Listing Date to the date of this report. The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

BOARD OF DIRECTORS

Responsibilities

The Board is responsible to develop and review an issuer's policies and practices on corporate governance and make recommendations to the board; to review and monitor the training and continuous professional development of Directors and senior management; to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements; to develop, review and monitor the code of conduct and internal manual applicable to employees and Directors; to review the Company's compliance with the CG Code and disclosure in the Corporate Governance Report. The Board has delegated the authority and responsibility for day-to-day management and operation of the Group to the senior management of the Group. To oversee particular aspects of the Company's affairs, the Board has established three Board committees, including the Audit Committee, the Remuneration Committee and the nomination committee (the "**Nomination Committee**", together with the Audit Committee and the Remuneration Committee, the "**Board Committees**"). The Board has delegated to the Board Committees responsibilities as set out in their respective terms of reference.

Director's Responsibilities for the Consolidated Financial Statements

The Directors acknowledge their responsibilities for the preparation of the consolidated financial statements of the Group and ensure that the consolidated financial statements of the Group are accordance with statutory requirements and applicable accounting standards. The Directors also ensure the timely publication of the consolidated financial statements of the Group. In preparing the accounts for the Reporting Period, the Directors have, among other things:

- selected suitable accounting policies and applied them consistently;
- approved adoption of all Hong Kong Financial Reporting Standards which are in conformity with the International Financial Reporting Standards;
- the disclosure requirements under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); and
- made judgments and estimates that are prudent and reasonable; and have prepared the accounts on the going concern basis.

The Directors confirm that, to the best of their knowledge, information and belief, and having made all reasonable enquiries, they are not aware of any material uncertainties relating to events or conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

In order to ensure that independent views and input of the independent non-executive Directors are made available to the Board, the Nomination Committee and the Board are committed to assess the Directors' independence annually with regards to all relevant factors related to the independent non-executive Directors including the following:

- required character, integrity, expertise, experience and stability to fulfill their roles;
- time commitment and attention to the Company's affairs
- firm commitment to their independent roles and to the Board;
- declaration of conflict of interest in their roles as independent non-executive directors;
- no involvement in the daily management of the Company nor in any relationship or circumstances which would affect;
- the exercise of their independent judgement; and
- the chairman of the Board meets with the independent non-executive directors regularly without the presence of the executive directors.

The Nomination Committee also reviewed the implementation and effectiveness of mechanisms to ensure independent views and input are available to the Board. The Board comprises three independent non-executive Directors out of eight Directors, representing more than one-third of the Board. All independent non-executive Directors have devoted sufficient time to attend the Board meetings and all the committee meetings which she is a member and have shared their views and opinions through the meetings. The Chairman also has a private meeting with the independent non-executive Directors without the presence of other Directors to listen the independent views on issues concerning the Group. Upon reasonable request, independent professional advice would be provided to the independent non-executive Directors to assist them to perform their duties to the Company. Taking into account of the above channels, the Nomination Committee considered that the mechanisms remain effective.

All Directors shall ensure that they carry out their duties in good faith, in compliance with applicable laws and regulations, and in the interests of the Company and its Shareholders at all times.

COMPOSITION OF THE BOARD OF DIRECTORS

As at the date of this report, the Board comprised two executive Directors, three non-executive Directors and three independent non-executive Directors as set out below:

Executive Directors

Mr. Yang Liqun *(chairman of the Board)*
Mr. Fei Zhongli *(Chief Executive Officer)*

Non-executive Directors

Mr. Luan Tao
Mr. Luan Hangqian
Mr. Cheng Xin

Independent Non-Executive Directors

Ms. Chen Haiping
Ms. Bao Ying
Ms. He Murong

The biographies of the Directors are set out in section headed "Directors and Senior Management" in this report.

The Board composition is regularly reviewed to ensure that it has a balance of skills and experience appropriate for the requirement of the business of the Group. A balanced composition of executive Directors and independent non-executive Directors is maintained to ensure independence and effective management. During the period from the Listing Date to the date of this report, the Board has, at all times, met the requirements of Rules 3.10(1) and 3.10(2) of the Listing Rules relating to the appointment of at least three independent non-executive Directors with at least one possessing appropriate professional qualifications or accounting or related financial management expertise.

The Company has also complied with Rule 3.10A of the Listing Rules, which relates to the appointment of independent non-executive Directors representing one-third of the Board. Each of the independent non-executive Directors has confirmed his/her independence pursuant to Rule 3.13 of the Listing Rules and the Company considers each of them to be independent.

The appointment of Directors is to be recommended by the Remuneration Committee and the Nomination Committee and approved by the Board based on a formal written procedure and policy for the appointment of new Directors. When selecting potential candidates for the Directors, their skills, experience, expertise, devotion of time and non-conflicts of interests are the key factors.

Save as disclosed in this report, none of the Directors has any personal relationship (including financial, business, family or other material/relevant relationship) with any other Directors or any chief executive of the Company.

All Directors, including independent non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and expertise to the Board for its efficient and effective functioning. Independent non-executive Directors are invited to serve on the Audit Committee, the Nomination Committee and the Remuneration Committee.

As regards the code provision under the CG Code requiring directors to disclose the number and nature of offices held in public companies or organisations and other significant commitments as well as their identity and the time involved to the issuer, the Directors have agreed to disclose their commitments to the Company in a timely manner.

The Company has also arranged appropriate insurance in respect of potential legal actions against the Directors arising out of corporate activities.

CONTINUOUS PROFESSIONAL DEVELOPMENT

All newly appointed Directors would be provided with necessary induction and information to ensure that they have a proper understanding of the Company's operations and businesses as well as their responsibilities under relevant statutes, laws, rules and regulations. The Directors are also provided with regular updates on the Company's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

The Company encourages continuous professional development training for all the Directors to develop and refresh their knowledge and skills. The company secretary of the Company also update and provide the Directors with written training materials in relation to their roles, functions and duties from time to time.

Up to the date of this report, the current Board members participated in the following training programs:

	Type of training	
Name of Directors	**Attending training organised by the legal advisers of the Company before the Listing**	**Reading materials updating on new rules and regulations**
Executive Directors		
Mr. Yang Liqun *(Chairman of the Board)*	✔	✔
Mr. Fei Zhongli *(Chief Executive Officer)*	✔	✔
Non-executive Directors		
Mr. Luan Tao	✔	✔
Mr. Luan Hangqian	✔	✔
Mr. Cheng Xin	✔	✔
Independent Non-Executive Directors		
Ms. Chen Haiping	✔	✔
Ms. Bao Ying	✔	✔
Ms. He Murong	✔	✔

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Pursuant to code provision C.2.1 of the CG Code, the roles of chairman of the Board and chief executive officer should be separate and should not be performed by the same individual. During the period from the Listing Date and up to the date of this report, the chairman of the Board is Mr. Yang Liqun, being an executive Director and Mr. Fei Zhongli is the Group's chief executive officer, being an executive Director. The positions of the chairman and chief executive officer are held by separate individuals so as to maintain an effective segregation of duties. Mr. Yang Liqun is mainly responsible for formulating the overall strategic development of the Group, leading the Board and ensuring the effectiveness of the Board when performing his duties as the chairman of the Board. Mr. Fei Zhongli is mainly responsible for the daily operations and management of the Company and the implementation of the Board's decisions, strategies, plans and business targets of the Company.

APPOINTMENT AND RE-ELECTION OF DIRECTORS

Each of the executive Directors has entered into a service contract with the Company for an initial term of three years commencing from the Listing Date and each of the non-executive Directors and independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from the Listing Date. According to the Articles of Association, at every annual general meeting of the Company, one-third of the Directors for the time being (or, if their number is not three or a multiple of three, then the number nearest to, but not less 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. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat. The Company at any annual general meeting at which any Directors retire may fill the vacated office by electing a like number of persons to be Directors. All retiring Directors shall be eligible for re-election.

The procedures and process of appointment, re-election and removal of Directors are set out in the Articles of Association. The Nomination Committee is responsible for reviewing the Board's structure, size and composition, and for making recommendations to the Board on the appointment, re-election and succession planning of Directors.

BOARD MEETINGS

The Company adopts the practice of holding Board meetings regularly, at least four times a year. Notices of no 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 a regular meeting.

The daily operation and management of the business of the Group, among other matters, and the implementation of strategies are delegated to the executive Directors and senior management. They report periodically to the Board on their work and business decisions.

All Directors have been fully consulted about any matters proposed for inclusion in the agenda for regular meetings. The chairman of the Board has delegated the responsibility for drawing up the agenda for each Board meeting to the company secretary of the Company. The chairman of the Board should ensure that all Directors are properly briefed on issues arising at Board meetings and the Board works effectively and performs its responsibilities, and that all key and appropriate issues are discussed by it in a timely manner.

Management has an obligation to supply the Board and its committees with adequate information, in a timely manner, to enable it to make informed decisions. The information supplied must be complete and reliable. The Board and individual Directors should have separate and independent access to the Company's senior management.

Notices of at least 14 days are given to the Directors for regular meetings, while the Board papers are sent to the Directors not less than three days before the intended date of a Board or Board committee meeting. With respect to other meetings, the Directors are given as much notice as is reasonable and practicable in the circumstances. The Directors can attend meetings in person or through other means of electronic communication in accordance with the Articles. The company secretary of the Company ensures that the procedures and all applicable rules and regulations are complied with. Minutes of the Board meetings and meetings of the Board committees are kept by the company secretary of the Company and are available for inspection at any time on reasonable notice by any Director.

The Directors have full access to information of the Group and are able to obtain independent professional advice whenever they deem necessary. The Directors will be updated with legal and regulatory changes and matters of relevance to the Directors in the discharge of their duties from time to time. The Audit Committee, Nomination Committee and Remuneration Committee are provided with sufficient resources to perform their duties.

The chairman of the Board should encourage all Directors to make a full and active contribution to the Board's affairs and take the lead to ensure that it acts in the best interests of the Company and encourage Directors with different views to voice their concerns, allow sufficient time for discussion of issues and ensure that Board decisions fairly reflect Board consensus.

Minutes of the Board meetings and the Board Committee meetings are recorded in sufficient detail on the matters considered by the Board and the Board Committees and the decisions reached, including any concerns raised by the Directors. Draft minutes of each Board meeting and Board Committee meeting are/will be sent to the Directors for comments within a reasonable time after the date on which the meeting is held. The minutes of the Board meetings are open for inspection by all Directors.

Any material transaction, which involves a conflict of interests between a substantial shareholder or a Director and the Company, will be considered and dealt with by the Board at a duly convened Board meeting with the presence of the independent non-executive Directors. Directors are abstained from voting and not to be counted in the quorum at meetings for approving transactions in which such Directors or any of their associates have a material interest in such transactions.

As the Company was listed on the Stock Exchange on 17 January 2023, no Board meetings or Board committees meetings were held during the Reporting Period. During the period from the Listing Date and up to the date of this report, the Board convened one board meeting and one meeting for each of the Board committees. The Company did not hold any general meeting. The attendance of each Director at the above meetings is set out in the table below:

	Attendance/number of meetings held			
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**
Mr. Yang Liqun	1/1	–	1/1	1/1
Mr. Fei Zhongli	1/1	–	–	–
Mr. Luan Tao	1/1	–	–	–
Mr. Luan Hangqian	1/1	–	–	–
Mr. Cheng Xin	1/1	1/1	–	–
Ms. Chen Haiping	1/1	1/1	1/1	–
Ms. Bao Ying	1/1	1/1	–	1/1
Ms. He Murong	1/1	–	1/1	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code as its own code of conduct regarding Directors' securities transactions as set out in Appendix 10 to the Listing Rules. Specific enquiry has been made to all the Directors and each of the Directors has confirmed that he/she has complied with the required standards as set out in the Model Code during the period from the Listing Date to the date of this report.

The Company also requires officers and employees of the Group who, because of such office or employment, is likely to possess inside information in relation to the Company or its securities, be also bound by the Model Code, which prohibits them to deal in securities of the Company at any time when he/she possesses inside information in relation to those securities. No incident of non-compliance of the Model Code by the relevant officers and employees was noted by the Company for the period from the Listing Date to the date of this report.

DELEGATION BY THE BOARD

The Board reserves for its decision on all major matters of the Company, including: approval and monitoring of all policy matters, overall strategies and budgets, internal control and risk management systems, material transactions (in particular those that may involve conflict of interests), financial information, appointment of Directors and other significant financial and operational matters. Directors could have recourse to seek independent professional advice in performing their duties at the Company's expense. Directors are encouraged to access and to consult with the Company's senior management independently.

The daily management, administration and operation of the Group are delegated to the senior management. The delegated functions and responsibilities are periodically reviewed by the Board. Approval has to be obtained from the Board prior to any significant transactions entered into by the management.

CORPORATE GOVERNANCE FUNCTIONS

The Board is responsible for performing the functions set out in the code provision A.2.1 of the CG Code. The Board reviewed the Company's corporate governance policies and practices, training and continuous professional development of the Directors and senior management, the Company's policies and practices on compliance with legal and regulatory requirements, the compliance with the Model Code and written employee guidelines, and the Company's compliance with the CG Code and disclosure in this section.

BOARD COMMITTEES

Audit Committee

Up to the date of this report, the Audit Committee comprises three members, namely Ms. Chen Haiping (independent non-executive Director), Mr. Cheng Xin (non-executive Director) and Ms. Bao Ying (independent non-executive Director). Ms. Chen Haiping is the chairlady of the Audit Committee, with the appropriate professional qualifications, accounting and related financial management expertise as required under Rule 3.10(2) of the Listing Rules. None of the members of the Audit Committee is a former partner of the Company's existing Auditor, Ernst & Young.

The terms of reference of the Audit Committee are in compliance with the code provision D.3.3 of the CG Code. The main duties of the Audit Committee are to review and supervise the financial reporting system, risk management and internal control systems of the Group, oversee its audit process and perform other duties and responsibilities as assigned by the Board.

The written terms of reference of the Audit Committee are available on the website of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 17 January 2023, no Audit Committee meeting and work was held during the Reporting Period. During the period from the Listing Date and up to the date of this report, the Audit Committee has held one meeting, in which the Audit Committee has performed the following major tasks:

- Reviewed the audited annual results and annual report of the Group for the year ended 31 December 2022.
- Reviewed the adequacy of resources, staff qualifications and experience, training programs and budget of the Group's accounting, financial reporting and internal audit function.
- Reviewed the continuing connected transactions of the Group.
- Reviewed the risk management and internal control systems of the Group.
- Discussed and made recommendations on the re-appointment of the auditor.
- Reviewed the auditor's independence and terms of engagement for the year ended 31 December 2022.

The auditor was invited to attend the Audit Committee meetings to discuss with the Audit Committee on issues arising from the audit and financial reporting matters at least twice a year. The Audit Committee also met with the Auditor without the presence of management. The Audit Committee is satisfied with the independence and engagement of the auditor. As such, the Audit Committee has recommended the re-appointment of the auditor.

Remuneration Committee

Up to the date of this report, the Remuneration Committee comprises three members, namely Ms. He Murong (independent non-executive Director), Mr. Yang Liqun (executive Director and Chairman of the Board) and Ms. Chen Haiping (independent non-executive Director). Ms. He Murong is the chairlady of the Remuneration Committee.

The terms of reference of the Remuneration Committee are in compliance with the code provision of E.1.2 of the CG Code. The main duties of the Remuneration Committee are to establish and review the policy and structure of the remuneration for the Directors and senior management and make recommendations on employee benefit arrangement.

The written terms of reference the Remuneration Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 17 January 2023, no Remuneration Committee meeting and work was held during the year ended 31 December 2022. During the period from the Listing Date and up to the date of this report, the Remuneration Committee has held one meeting, in which the Remuneration Committee has performed the following major task:

- Reviewed the Post-IPO Share Option Scheme and Pre-IPO RSU Scheme adopted by the Company in 2022.
- Assessed the performance of executive Directors.
- Reviewed the remuneration policy and the remuneration packages of the Directors and senior management of the Company.

Nomination Committee

Up to the date of this report, the Nomination Committee currently comprises three members, namely Mr. Yang Liqun (executive Director and Chairman of the Board), Ms. He Murong (independent non-executive Director) and Ms. Bao Ying (independent non-executive Director). Mr. Yang Liqun is the chairman of the Nomination Committee.

The terms of reference of the Nomination Committee are in compliance with the code provision of B.3.1 of the CG Code. The main duties of the Nomination Committee are to review the structure, size and composition of the Board and make recommendations to the Board on appointment, re-election and succession planning of Directors.

The recommendations of the Nomination Committee will then be put to the Board for decision.

The written terms of reference and the details of duties of the Nomination Committee are available on the websites of the Stock Exchange and the Company.

As the Company was listed on the Main Board of the Stock Exchange on 17 January 2023, no Nomination Committee meeting and work was held during the year ended 31 December 2022. During the period from the Listing Date and up to the date of this report, the Nomination Committee has held one meeting, in which the Nomination Committee has performed the following major tasks:

- Reviewed the structure, size and composition of the Board to ensure that it has a balance of expertise, skills and experience appropriate to the requirements of the business of the Group.
- Recommended the re-election of the retiring Directors at the forthcoming annual general meeting.
- Assessed the independence of all the independent non-executive Directors.
- Reviewed the Board diversity policy.

Policy for Nomination of Directors

It is the policy of the Nomination Committee to adopt the following procedure, process and criteria for selecting and recommending candidates for directorships.

Selection Criteria

The Nomination Committee will evaluate, select and recommend candidate(s) for directorships to the Board by giving due consideration to a wide range of criteria, having due regard to the benefits of diversity on the Board, including but not limited to gender, age, experience, cultural and educational background, expertise, skills and know-how, sufficient time to effectively carry out their duties, their services on other listed and non-listed companies (if any, which should be limited to reasonable numbers), qualifications including accomplishment and experience in the relevant industries the Company's business is involved in, independence, reputation for integrity, potential contributions that the individual(s) can bring to the Board and commitment to enhance and maximise value for Shareholders.

Nomination Procedure and Process

The Nomination Committee will recommend to the Board for the appointment of a director in accordance with the following procedure and process:

(a) by giving due consideration to the current composition and size of the Board, develop a list of desirable skills, perspectives and experience at the outset to focus the search effort;

(b) consult any source it deems appropriate in identifying or selecting suitable candidates, such as referrals from existing directors, advertising, recommendations from independent agency firms, and proposals from shareholders of the Company, with due consideration given to the criteria set out in the section titled "Selection Criteria" above;

(c) adopt any process it deems appropriate in evaluating the suitability of the candidates, such as interviews, background checks, presentations and third-party reference checks;

(d) upon considering a candidate suitable for the directorship, the Nomination Committee will hold a meeting and/or by way of written resolutions to, if thought fit, approve the recommendation to the Board for appointment;

(e) make the recommendation to the Board in relation to the proposed appointment and the proposed remuneration package; and

(f) the Board will have the final authority on determining the selection of nominees.

The policy for nomination of Directors, devising the criteria and procedures of selection and performance evaluation, provides guidance to the Board on nomination and appointment of Directors of the Company. The Board believes that the defined selection process is good for corporate governance in ensuring the Board continuity and appropriate leadership at Board level, and enhancing Board effectiveness and diversity.

DIVERSITY POLICY

Summary of Board Diversity Policy

The Board has adopted a board diversity policy (the "**Board Diversity Policy**") which sets out the approach to achieve and maintain an appropriate balance of skills, experience and diversity perspectives of the Board that are relevant to the business growth and support the execution of the business strategy. Pursuant to the Board Diversity Policy, selection of Board candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional qualifications, skills, knowledge, and industry experience. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

Measurable Objectives

In terms of implementing the Board Diversity Policy, there are the following measurable objectives:

- to comply with the requirements as specified under the Listing Rules from time to time in relation to composition of the Board;
- the number of independent non-executive Directors appointed must not be less than three and must represent at least one-third of the Board;
- at least one of the independent non-executive Directors must have appropriate professional qualifications or accounting or related financial management expertise; and
- must appoint a Director of a different gender to avoid single gender board.

As at the date of this report, all the measurable objectives under the Board Diversity Policy have been fulfilled.

Monitoring and reporting

The Nomination Committee will disclose the composition of the Board annually in the corporate governance report and monitor the implementation of the Board Diversity Policy. The Nomination Committee will review the Board Diversity Policy and the measurable objectives for implementing the Board Diversity Policy, as appropriate, to ensure the effectiveness of such policy. The Nomination Committee will also review the progress on achieving these objectives, developing successors to the Board, and the implementation and effectiveness of the Board Diversity Policy on an annual basis. The Nomination Committee will discuss any revisions that may be required, and recommend any such revisions to the Board for consideration and approval.

As at the date of this report, the Board comprises eight members, including two executive Directors, three non-executive Directors and three independent non-executive Directors. The Board members also obtained degrees in various majors including accounting, applied chemistry, business administration, clinical medicine, economics, finance, international economy, management. Up to the date of this report, the Board comprises eight Directors including three females and five males, each of the Directors is aged between 31 years old to 69 years old.

Gender Diversity of Workforce

Gender diversity at workforce levels (including our senior management) is disclosed in the section headed "Environmental, Social and Governance Report" in this report.

REMUNERATION OF DIRECTORS

The Company has made full disclosure of remunerations of Directors by name, amount and type in note 8 to the consolidated financial statements. No Director has waived or agreed to waive any emoluments for the Reporting Period.

REMUNERATION OF SENIOR MANAGEMENT

Pursuant to code provision E.1.5 of the Corporate Governance Code, the annual remuneration (including share-based compensation) of the members of senior management, including those members of senior management who are also the executive Directors, by band for the Reporting Period is set out below:

Band of remuneration	Number
Nil – HK$500,000	2
HK$500,001 to HK$500,000	6

Further details of the remuneration of Directors for the Reporting Period are set out in note 8 to the Consolidated Financial Statements in this report.

DIRECTORS' RESPONSIBILITIES FOR FINANCIAL REPORTING IN RESPECT OF FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Group for the Reporting Period, which give a true and fair view of the affairs of the Company and the Group, and presenting a balanced, clear and comprehensive assessment of the Group's performance and prospects.

The management has provided to the Board such explanation and information as are necessary to enable the Board to carry out an informed assessment of the Group's financial statements, which are put to the Board for approval. Management should provide all members of the Board with monthly updates giving a balanced and understandable assessment of the Company's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under Rule 3.08 and Chapter 13 of the Listing Rules.

The Directors were not aware of any material uncertainties relating to events or conditions, which may cast significant doubt upon the Group's ability to continue as a going concern.

The statement by the Auditor regarding their reporting responsibilities on the consolidated financial statement of the Company is set out in the Independent Auditor's Report on pages 84 to 88 of this report.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility to ensure that sound risk management and internal control system is established and maintained within the Group, as well as its responsibility to review its effectiveness. Such system aims to manage and reduce the business risks faced by the Group to an acceptable extent, but not eliminating the risks of failure to achieve business objectives. Moreover, it can only provide reasonable, and not absolute, assurance against material misstatement, loss or fraud. The Company has established risk management procedures which comprise the following process:

- Risk identification: identify major and significant risks that could affect the achievement of goals of the Group;
- Risk evaluation and assessment: assess and evaluate the identified risk according to its likely impact and the likelihood of occurrence; and
- Risk management and mitigation: develop effective control activities to mitigate the risks.

In particular, procedures have been designed for safeguarding assets against unauthorised use or disposition, ensuring the maintenance of proper accounting records for the provision of reliable financial information for internal use or for publication, and ensuring compliance of applicable laws, rules and regulations. Risk identification and management is the responsibility of the management of the Group. There were no material internal control defects or significant areas of concerns identified during 2022.

The Board has authorised the Audit Committee to take charge of the on-going monitoring of the Group's risk management and internal control system, as well as the annual review of its effectiveness. Such review covers all material control aspects, including financial control, operation control, and compliance control.

The Group's internal control system includes a well-established organisational structure with clearly defined lines of responsibility and authority. The day-to-day departmental operations are entrusted to individual department which is accountable for its own conduct and performance and is required to operate its own department's business within the scope of the delegated authority and to implement and strictly adhere to the strategies and policies set by the Company from time to time. Each department is also required to keep the Board informed of material developments of the department's business and implementation of the policies and strategies set by the Board on a regular basis. All departments conduct internal control assessment annually to identify potential risks that may impact the business operation of the Group. Self-evaluation has been conducted by checking key operational and financial processes, regulatory compliance, and information security. An internal audit department has been established to conduct risk management and internal audit of the Group. It performs risk-based audits to review the effectiveness of the Group's risk management and internal control systems so as to provide assurance that key business and operational risks are identified and managed. The work carried out by the internal audit department reports to the Audit Committee with its findings and makes recommendations at least twice a year.

During the Reporting Period, in connection with the Listing, the Board has reviewed the effectiveness of the Group's internal control and risk management systems and received the confirmation from the management in respect of the effectiveness of the Group's internal control and risk management systems to ensure that a sound system is maintained and operated by the management in compliance with the agreed procedures and standards. Accordingly, the Company considers the systems are effective and adequate. The review covered all material controls, including financial, operational and compliance controls and risk management functions. The management of the Company actively monitors the regional economy, trend of property management services industry, reliance on continuing connected transactions and changes in applicable laws and regulations, and assesses income and expenditure and absorptive capacity of business expansions. The recommendations submitted by independent consultant have been accepted by the Company and implemented in stages, to further enhance the policies, procedures and practices of its internal control and risk management.

Whistleblowing Policy

The Board has adopted a whistleblowing policy (the "**Whistleblowing Policy**"). The purpose of the Whistleblowing Policy is to (i) foster a culture of compliance, ethical behaviour and good corporate governance across the Group; and (ii) promote the importance of ethical behaviour and encourage the reporting of misconduct, unlawful and unethical behavior.

The nature, status and the results of the complaints received under the Whistleblowing Policy are reported to the chairlady of the Audit Committee or the officer of the office of the Board. No incident of fraud or misconduct that has material effect on the Group's financial statements or overall operations for the year ended 31 December 2022 has been discovered.

The Whistleblowing Policy is reviewed annually by the Audit Committee to ensure its effectiveness.

Anti-corruption Policy

The Board has adopted an anti-corruption policy (the "**Anti-corruption Policy**"). The Group is committed to achieving the highest standards of integrity and ethical behaviour in conducting its business. The Anti-corruption Policy forms an integral part of the Group's corporate governance framework. The Anti-corruption Policy sets out the specific behavioural guidelines that the Group's personnel and business partners must follow to combat corruption. It demonstrates the Group's commitment to the practice of ethical business conduct and the compliance of the anti-corruption laws and regulations that apply to its local and foreign operations. In line with this commitment and to ensure transparency in the Group's practices, the Anti-corruption Policy has been prepared as a guide to all Group's employees and third parties dealing with the Group.

The Anti-corruption Policy is reviewed and updated periodically to align with the applicable laws and regulations as well as the industry best practice.

Disclosure of Inside Information

The Group has in place a policy on disclosure of inside information which sets out the procedures and internal controls for handling and dissemination of inside information.

The policy provides guidelines to the directors, officers and all relevant employees of the Group to ensure proper safeguards exist to prevent the Company from breaching the statutory disclosure requirements. It also includes appropriate internal control and reporting systems to identify and assess potential inside information.

Key procedures in place include:

- define the requirements of periodic financial and operational reporting to the Board and company secretary to enable them to assess inside information and make timely disclosures, if necessary;
- controls the access to inside information by employees on a need-to-know basis, and safeguarding the confidentiality of the inside information before it is properly disclosed to public; and
- procedures of communicating with the Group's stakeholders, including shareholders, investors, analysts, etc. in ways which are in compliance with the Listing Rules.

The Group has also established and implemented procedures to handle enquiries from external parties related to the market rumours and other affairs of the Group.

To avoid uneven dissemination of inside information, the dissemination of inside information of the Company shall be conducted by publishing the relevant information on the respective websites of the Stock Exchange and the Company.

AUDITOR'S REMUNERATION

The remuneration for the audit and non-audit services provided by the auditor to the Group for the Reporting Period is analysed below. The remuneration for the audit services includes the service fees in connection with the initial public offering. The remuneration for the non-audit services was related to the internal control consultancy services.

Type of services provided by the Auditor	**Amount** RMB'000
Audit services	2,400
Non-audit services	400
Total	2,800

COMPANY SECRETARY

In order to uphold good corporate governance and ensure compliance with the Listing Rules and the applicable Hong Kong laws, the Company engaged Ms. Szeto Kar Yee Cynthia as a company secretary of the Company, primarily responsible for the corporate secretarial matters of the Company. The company secretary reports to the chairman of the Board on Board/committee matters and to the Chief Executive Officer on administrative matters. All Directors should have access to the advice and services of the company secretary to ensure that Board procedures, and all applicable law, rules and regulations, are followed. The appointment and removal of the company secretary is a matter for the Board as a whole. The primary corporate contact person at the Company is Mr. Cui Yongsheng, the chief officer of the Board.

As the Company was listed on the Main Board of the Stock Exchange on 17 January 2023, during the Reporting Period, the requirement of 15 hours of relevant professional training of the company secretary as set out in Rule 3.29 of the Listing Rules was not applicable for the Company.

COMMUNICATION WITH SHAREHOLDERS AND INVESTOR RELATIONS

The Company considers that effective communication with Shareholders is essential for enhancing investor relations and understanding of the Group's business, performance and strategies. The Company also recognises the importance of timely and non-selective disclosure of information on the Company for the Shareholders and investors to make informed investment decisions.

The annual general meeting of the Company provides opportunity for Shareholders to communicate directly with the Directors. The chairman of the Board and the chairmen of the Audit Committee, the Remuneration Committee, the Nomination Committee attend the annual general meeting to answer Shareholders' questions. The Auditor also attends the annual general meeting to answer questions about the conduct of the audit, the preparation and content of the auditor's report, the accounting policies and auditor's independence. The chairman of the meeting will provide the detailed procedures for conducting a poll and answer any questions from the Shareholders on voting by poll. A notice to Shareholders is sent by the Company at least 21 days before the annual general meeting and at least 14 days in all other general meetings.

The Company maintains a website at www.sdrhwy.cn as a communication platform with the Shareholders and investors, where information on the Company's announcements, financial information and other information are available for public access. Shareholders and investors may at any time send their enquiries and concerns to the Board in writing through the company secretarial department whose contact details are as follows:

Address: 31/F, Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong
Email: rhwuye@runhua.com.cn

The Company continues to enhance communications and relationships with Shareholders and investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them posted of the Company's developments. Enquiries from Shareholders and investors are dealt with in an informative and timely manner.

The Company ensures that the Hong Kong Branch Share Registrar, Computershare Hong Kong Investor Services Limited, maintains the most up-to-date information relating to the Shares at all times so that it can respond effectively to the Shareholders' enquiries.

Based on the abovementioned, the Company considers its shareholders' communication policy implemented effectively.

SHAREHOLDERS' RIGHTS

To safeguard the Shareholders' interests and rights, a separate resolution will be proposed for each issue at general meetings, including the election of individual directors.

All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and the Stock Exchange in a timely manner after each general meeting.

Also, the Shareholders have the right to put enquiries to the Board. All enquiries should be sent in writing by post to the principal place of business of the Company in Hong Kong or the headquarters and principal place of business in the PRC.

CONVENING AN EXTRAORDINARY GENERAL MEETING AND PUTTING FORWARD PROPOSALS

According to the Articles of Association, the Shareholders may put forward proposals at the general meeting of the Company for consideration. Any one or more member(s) of the Company holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the company secretary of the Company to require an extraordinary general meeting to be convened by the Company for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within 21 days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself/herself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board to convene such general meeting shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a Director, the procedures are available on the website of the Company.

AMENDMENTS TO CONSTITUTIONAL DOCUMENTS

The memorandum of association and articles of the association of the Company (collectively, the "**Memorandum and Articles**") have been amended and restated, with effect from the Listing Date. Save for the aforesaid disclosed, during the Reporting Period, no change has been made to the Memorandum and Articles.

From the Listing Date to the date of this report, no change has been made to the Memorandum and Articles. The latest version of the Memorandum and Articles is available on the websites of the Company at www.sdrhwy.cn and the Stock Exchange at www.hkexnews.hk.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE REPORT

ABOUT THE REPORT

Runhua Living Service Group Holdings Limited (stock code: 2455) (the "**Company**") together with its subsidiaries, hereinafter referred to as the "**Group**") was listed on the Main Board of The Stock Exchange of Hong Kong Limited ("**HKEX**") on 17 January 2023. The Group is pleased to present its first Environmental, Social and Governance ("**ESG**") Report (the "**Report**") for the year ended 31 December 2022 (the "**Reporting Period**"). The Report is published on the website of the HKEX and the Group's website (www.sdrhwy.com).

The disclosures in this Report are in compliance with the Environmental, Social and Governance Reporting Guide (the "**ESG Guide**") under Appendix 27 of the Main Board Listing Rules issued by HKEX.

Reporting Principles

As a property management service provider with a focus on sustainable development, the Group is constantly fulfilling its social responsibilities, accelerating growth, doing its best to contribute to the environment and society, and striving to achieve long-term goals for development with society.

The Group strives to balance the interests of stakeholders and social responsibilities to maintain its sustainable development of a company, as successful companies should not maximize their profits at the cost of the society.

The Group always keeps corporate social responsibility in mind and will continue to commit to promoting the development of the ESG.

In the future, the Group will continue to focus on the concept of low carbon and green operations, minimize the environmental impact of the project development cycle, and jointly promote efforts to combat global warming.

Scope of Reporting

Upon completion of the materiality assessment, the Group has decided that the Report covers the overall performance of the Group and all its subsidiaries.

The reporting scope is consistent with the annual report and is determined based on the materiality of the business segments under the Group's direct operational control, which includes the Group's headquarters and the common areas of our managed properties and properties that the management was terminated in the mainland China during the Reporting Period.

Statement of the Board

The Board of Directors assumes full responsibility for the Group's environmental, social and governance strategies, reporting, assessing, and determining the Group's environmental, social and governance risks, and ensuring that the Group has established an appropriate and effective ESG risk management and internal monitoring system. The Board of Directors and all its directors guarantee that there are no false records, misleading statements, or major omissions in this Report, and bear individual and joint responsibility for the authenticity, accuracy, and completeness of the content.

The Board of Directors of the Group is the highest decision-making body for ESG management, guiding the sustainable development direction of the Group, formulating the overall vision, goals and management strategies of the Group for sustainable development and reviewing the Group's annual ESG report. Its related working team will promote the implementation of ESG work within the Group.

We will focus on the above issues in our daily work and manage our goals accordingly. In the future, we will continue to adjust the sustainable development management strategies and promotion methods according to the expectations of stakeholders and the actual operation of the Group, so as to continuously improve the level of sustainable development.

To systematically manage ESG issues under the Board's delegations, the Group has established a working team.

The working team is composed of core members from various departments, which facilitates the Board's oversight of ESG issues. The team shall arrange regular meetings and report to the Board periodically, with the aim of improving the Group's ESG performance.

The working team is responsible for the following:

- Assisting in conducting materiality assessment;
- Ensuring compliance with ESG-related laws and regulations;
- Assisting in the assessment and identification of the Group's ESG risks and opportunities;
- Keeping track of and reviewing the progress made against the Group's ESG-related targets, evaluating the effectiveness of current policies and procedures, and formulating appropriate solutions;
- Collecting and analysing ESG data, monitoring and evaluating the Group's ESG performance and preparing ESG reports; and
- Assisting in ensuring the implementation and effectiveness of risk management and internal control systems.

Feedback

We welcome your feedback and your valuable input will help us continue to improve. If you have any feedback on the content of the Report, please feel free to contact us by email at rhwuye@runhua.com.cn.

I. STAKEHOLDER ENGAGEMENT

As a responsible enterprise, the Group attaches great importance to communication with stakeholders and their feedback regarding our business operation and ESG affairs, while proactively developing our business and improving profitability, to balance the interests of all parties and foster sustainable development. To fully understand, respond, and address the core concerns of various stakeholders, we have been maintaining regular and close communication with key stakeholders, including but not limited to shareholders and investors, customers, suppliers, employees, government authorities and regulatory bodies and the community, non-governmental organisations ("**NGOs**") and media.

The Group maintains close engagement with its stakeholders and collects their feedback through various communication channels to understand and address their concerns. The engagement channels with stakeholders include general meetings, corporate website, community activities, regular communication with employees, performance appraisal interviews and networking with suppliers.

Stakeholders	Communication channels	Expectations
Shareholders and investors	• Annual General meeting and other general meeting of shareholders • Information disclosure • Investor visits and the Company's website	• Investment returns • Boost the Company's market value and profitability • Continuously improve the Company's environmental and social responsibility performance • Protection of shareholders' interests
Customers	• Sign contracts and agreements • Customer visits • Customer satisfaction survey	• Provide high-quality products and services • Customer privacy protection • Business integrity and ethics • Establish a complete customer service system and customer feedback and complaint mechanism

Stakeholders	Communication channels	Expectations
Suppliers	• Sign contracts and agreements • Regularly hold tender and bidding • Supplier inspection • Supplier meetings	• Regulatory compliance • Environmental standards and requirements • Respectful and fair procurement • Cooperation on fair terms • Integrity and performance
Employees	• Labour contracts • Employee performance • Employee training • Employee satisfaction survey	• Employee remuneration and benefits • Healthy work environment • Health and safety • Development and training opportunities
Government authorities and regulatory bodies	• Engage in relevant governmental meetings • Policy consultations • Incident reports • Official correspondence • Information disclosure	• Observe the law • Operate in compliance with the regulations and in line with national policies • Information disclosure and transparency
The community, NGOs and media	• Charitable activities • Pairing assistance • Community activities • ESG reports	• Contribute to society • Environmental protection

II. IDENTIFICATION OF MATERIAL ISSUES

Under the requirements of the ESG Guide issued by HKEx and with reference to the procedures for material analysis formulated by the Global Reporting Initiative ("**GRI**"), the Group collects the issues concerned by major stakeholders through multiple channels, and conducts materiality analysis and prioritises of such issues, to finalise the material issues in the environmental, social and governance aspects and make disclosure thereof in the Report.

The identification process of material issues consists of four steps:

- *Identification*. The Group identifies relevant ESG issues with reference to the ESG Guide published by HKEx, GRI Sustainability Reporting Guidelines (GRI Standards version) and those disclosed by its peers at home and abroad;

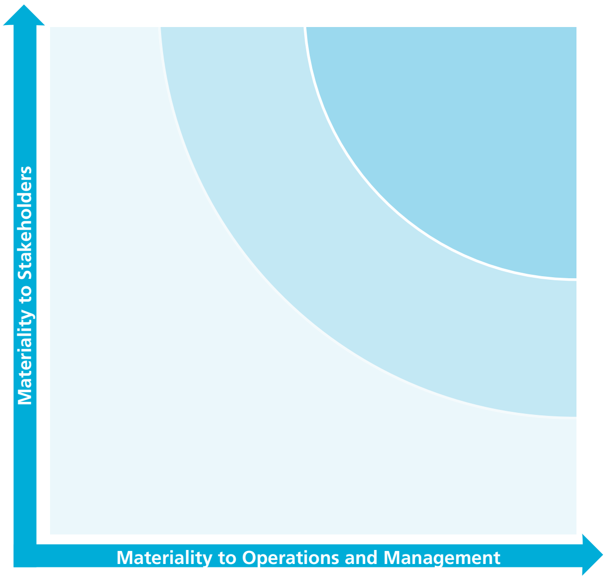
- *Prioritise the material issues*. The major considerations for materiality assessment by internal stakeholders include the impacts on our corporate strategies, policies, procedures and commitments, impacts on the Company's competitive edges and management excellence, and current and future financial impacts on the Company; and major considerations for such assessment by external stakeholders include the impacts on the Company's evaluation and decision-making, and on their own interests;

- *Verification*. The Company's management reviews and approves the identified issues and their priorities;

- *Review*. After the Reporting Period, the Company will seek feedback from internal and external stakeholders on the contents of the Report for current period to prepare for the report for the next period.

We have fully considered the importance of each key performance indicator to the operation and the stakeholders. After comprehensive evaluation, we have selected the following indicators as the major influential aspects of the Group's sustainable development. While taking all environmental and social responsibilities into consideration, the Group has paid more attention to the following areas: Service Quality, Innovation Management, Responsibility Management, Customer Relationship Management, Labor Management, Development and Training, Diversity and Equal Opportunities, Privacy Protection, Business Ethics, Information and Data Security, Risk and Crisis management and Policy Impact.

Issue Materiality Matrix



Very Important
- Service Quality and Safety
- Occupational Health and Safety of Employees
- Emissions Management
- Energy Consumption Management
- Customer Service Management
- Development and Training of Employees

Important
- Employee Employment
- Labor Standards
- Social Good
- Supply Chain ESG Management
- Honesty and Integrity in Operations

Relevant
- Intellectual Property Rights Protection
- Water Resources Management
- Impacts on Environment and Natural Resources
- Response to Climate Change

In the future, the Group welcomes opinions and suggestions from stakeholders.

III. ENVIRONMENTAL

A1. Emissions

We consider environmental protection to be important and have implemented measures in the operation of our businesses to ensure compliance with all applicable requirements. The Group has actively implemented the "Project Energy Management Requirements", "Water Conservation Management System" and "Waste Management System" to regulate air and greenhouse gases ("**GHG**") emissions, waste water and wastes generated in our operations to enhance environmental management in our business processes, with the aim of minimising pollution and environmental damage arising from our daily business operations.

The Group strictly complies with laws and regulations in relation to prevention of environmental pollution, such as the "Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution" (中華人民共和國大氣污染防治法), "Law of the People's Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste" (中華人民共和國固體廢物污染環境防治法) and "Law of the People's Republic of China on the Prevention and Control of Water Pollution" (中華人民共和國水污染防治法). During the reporting year, the Group did not experience any incident of material environmental pollution and ecological damage.

During the Reporting Period, the Group was not aware of any non-compliance with the relevant laws and regulations that have a significant impact on the Group in relation to GHG emissions, discharges into water and land, and generation of hazardous and non-hazardous wastes.

We attach great importance to environmental protection and strictly comply with applicable laws and regulations to ensure compliance with requirements relating to emissions of air and GHGs, waste water and other hazardous and non-hazardous wastes generated in our operations. In addition, we continuously strengthen the management of energy and resources, actively adopt environmental protection measures for energy conservation and emission reduction, and practise the concept of green development.

1. Air Emissions

The air pollutants we generate are mainly nitrogen oxides, sulphur oxides and particulate matter emitted by our own vehicles. Currently, the vehicles are powered by gasoline, we will actively introduce clean energy vehicles to reduce the emissions of air pollutants and GHG caused by burning fossil energy. Meanwhile, we encourage our employees to commute by public transportation and promote green travel.

2. Sewage Discharge and GHG Emissions

In our daily operation activities, the Group is not involved in any waste water emission and our GHG emissions mainly come from the combustion of energy in our own vehicles and purchased electricity, so we plan to gradually increase the use of clean energy vehicles to reduce the GHG emissions generated by our own vehicles. We also plan to adopt more environmentally friendly property management equipment (such as greening and gardening maintenance equipment) to reduce the GHG emissions. At the same time, we will actively explore more effective ways to save electricity based on the existing initiatives and strive to promote the environmental protection plan and targets to reduce electricity consumption.

We are committed to reducing GHG emissions from our own operations by identifying the sources of GHG emissions, planning and analysing the effectiveness and operability of various GHG reduction initiatives, and gradually implementing GHG reduction measures to achieve GHG reduction target.

3. Hazardous Wastes and Non-hazardous wastes

In terms of waste management, we strictly follow the waste disposal requirements and treatment regulations of the relevant laws and regulations, such as the Law of the PRC on the Prevention and Control of Air Pollution and Law on the Prevention and Control of Environmental Pollution Caused by Solid Waste. We have formulated relevant policies to carry out standardised collection and treatment of hazardous and non-hazardous waste generated by our operations. Hazardous waste mainly includes the ink cartridges generated by the office work, and non-hazardous waste mainly includes paper generated by the office work. Based on compliant waste management, we aim to put efforts to reduce waste generation at source. We advocate a paperless office, while guiding employees to conserve resources and implement double-sided printing of documents to reduce waste and lower waste generation. We will continue to strengthen the level of waste management with our waste management target as our course of action.

During 2022, the Group generated 310.0 kg of hazardous waste toner cartridges with a density of 74.48 g/RMB10,000 in revenue and produced 2,200.0 kg of non-hazardous waste paper with a density of 0.03 g/RMB10,000 in revenue. The total amount of indirect GHG emissions is 8,507.99 tons of carbon dioxide equivalent, and the intensity of GHG emissions is 122.9 kg of carbon dioxide equivalent per RMB10,000 in revenue, and the direct energy is considered not material to our Group. The total amount of air pollutant emission is 29.4 kg, which is mainly generated by using of our own vehicles.

To ensure the effective implementation and efficient execution of environmental management measures, we have set four major environmental targets as the guiding direction and course of action for our future environmental management.

Environmental targets	Details of the targets	Action initiatives
Emission Target	Using 2021 as the base year, GHG emission intensity decreases by 5%–10% by 2030.	To achieve the target, we plan to take the following measures: – Increase the use of clean energy vehicles. – Adopt more environmentally friendly property management equipment (such as greening and gardening maintenance equipment) and other related initiatives to reduce GHG emissions.
Energy Use Efficiency Target	Using 2021 as the base year, the intensity of electricity consumption decrease by 5%–10% by 2030.	To achieve the target, we plan to take the following measures: – Introduce photovoltaic power generation systems at corporate office buildings to obtain clean energy and advocate green office. – Introduce energy-saving devices, such as energy-saving lights in our property management services to reduce unnecessary energy consumption. – Strengthen the real-time monitoring of energy consumption and the whole process management of data with the help of smart metre renovation work, so as to capture abnormal energy consumption situations and deal with them in time.

Environmental targets	Details of the targets	Action initiatives
Waste Management Target	Achieving a 100% non-hazardous waste recycling rate by 2030.	To achieve the target, we plan to take the following measures: – Advocate green office and actively carry out recycling actions for non-hazardous waste, such as promoting paperless office, requiring employees not to use paper for non-essential use, and strictly enforcing recycling of paper used for essential use.
Water Efficiency Target	Using 2021 as the base year, the water consumption intensity decreases by 5%–10% by 2030.	To achieve the target, we plan to take the following measures: – Actively use natural water resources and adopting rainwater to irrigate the garden greenery in the property management services. – Introduce water-saving irrigation equipment to reduce unnecessary waste of water usage and etc. – Install intelligent renovation of water metres to strengthen the real-time monitoring of water consumption, improve the efficiency of data management, and analyse the historical water consumption trend and predict the future water consumption and water saving more scientifically and effectively. – Enhance the employees' awareness of saving water by providing water-saving signs.

We will always take promoting the process of emission management, waste management and environmental protection as the long-term goal, and ultimately realize the concept of circular economy and adhere to the path of sustainable development.

A2. Resource Utilization Management

The Group has taken into account the environmental factors in mapping our sustainable development strategies and has actively responded to changes in the government's environmental policies. The Group establishes measures to conserve natural resources and promotes the conservation culture in environmental protection. The Group strives to improve the environment of the production plant, encourages employees to save and make full use of resources, maximizes the benefits, and eliminates wastes. The use of water and electricity are controlled as long as the operations are not negatively impacted. All uses outside business are prohibited. The level of energy consumption is reviewed and assessed regularly, and when excessive consumption and wastage is noted, immediate attention and action is required, so as to control the situation and reduce its impact. The use of packaging materials is not material due to the Group's business nature.

1. Energy Management

A socially responsible corporation spares no effort in developing a resource-preserving and environment-friendly society. Energy-saving and improved energy efficiency may lower operating costs and facilitate long-term corporate development. The Group strictly abides by the laws and regulations such as the "Environmental Protection Law of the People's Republic of China", "Water Law of the People's Republic of China" and "Energy Conservation Law of the People's Republic of China" to achieve balanced and sustainable development between the people, resources and environment. Since the Group does not operate any factory, we are therefore not expected to be exposed to significant risks in relation to water or raw material waste in the course of our operation.

We formulate relevant internal management policies and systems to implement energy saving and consumption reduction initiatives. In our own office, we plan to introduce photovoltaic power generation systems at corporate office buildings, meanwhile, we promote the concept of environmental protection and emphasise the importance of environmentally friendly behavioural habits such as saving electricity. In carrying out our operational services, we have introduced energy-saving appliances such as energy-saving LED lights in some of our properties under management to achieve the environmental effect of reducing electricity consumption.

During the Reporting Period, the total direct and indirect consumption of electricity purchased by the Group was 8,669 kWh, with an intensity of 125.3 kWh/RMB10,000 in revenue.

2. Water Management

The Group deeply recognizes that the protection of water resources is the common responsibility of the whole society, and puts water conservation in an important position in the development of the enterprise. The water consumption involved in the Group is mainly the daily water consumption in the internal office area and our property management projects. The Group has been strictly abiding by the relevant national and local laws and regulations on water resources management and has established the measures for water resources management to regulate the use of water, rationally develop, utilize and recycle, and protect water resources.

We value the extraction and use of water resources and are committed to improving the efficiency of water use. We utilise water recycling and use reclaimed water to water the gardens and green plants in some of our property management services. We provide water-saving signs in our office areas to remind our employees to save water. We will strive to explore more ways to save water, improve efficiency of water usage and achieve our water efficiency target.

In the future, we will continue to actively explore innovative methods to achieve planned water use, scientific water use, water conservation, and water recycling.

During the Reporting Period, the Group did not identify any significant risk of water shortage in obtaining suitable water sources. During the Reporting Period, the total water consumption of the Group was 58,506.8 cubic meters with the intensity of 0.85 cubic meters per RMB10,000 in revenue.

A3. The Environment and Natural Resources

The Group has a pool of dedicated and diligent employees. When formulating sustainable development strategies, the employees actively support and contribute feasible suggestions speeding up the Group's pace towards green management. The Group will continuously increase the investment on various environmental protection projects, re-identify the source of wastes generated during operation and the impacts on the environment when using resources, to enhance and install different types of environmental protection facilities and ancillaries, and continue to optimise internal management systems, working guidelines and environmental protection measures; continuously enhance employees' awareness on environmental protection and resource conservation through promotion, education and other effective methods, and take up the social responsibilities and obligations with employees in the process of management and development.

The Group's operations have no significant impact on the environment and natural resources. We have stated the Group's efforts to conserve resources and reduce emissions in the preceding sections.

A4. Climate Change

The Global Risk Report published by the World Economic Forum depicted that the environmental risks remained as the primary issue from the perspective of the probability and impact of risks in the next decade. Environmental risks are closely related to climate change, and to cope with the severe challenges brought about by climate change, the development of a low-carbon economy has become the consensus of the international community. For enterprises, risks and opportunities coexist due to the impact of climate change – how to integrate climate change into the business strategies and daily operation activities of the enterprise is related to whether the enterprise can maintain and enhance its own competitiveness and survive and develop in the fierce international market competition.

Meanwhile, we actively respond to the national "3060" target and promote the reduction in emission of GHG, mainly carbon dioxide, to combat climate change due to global warming. We have taken relevant measures to save energy, improve the ecological environment, and enhance emission management, and make unremitting efforts to achieve the "3060" target.

The Group actively undertakes the corporate social responsibility of addressing climate change, takes effective measures to address the challenges brought by climate change, and seizes the opportunity of developing a low-carbon economy, expecting to occupy the strategic commanding heights in the future competition, so as to achieve its own sustainable development. Besides, the Group will also regularly provide induction training or courses related to emergency response plans and procedures for all employees in the future.

IV. SOCIAL

B1. Employment

The Group handles termination of employment in compliance with the Labor Law of the People's Republic of China (《中華人民共和國勞動法》), the Labor Contract Law of the People's Republic of China (《中華人民共和國勞動合同法》) and the relevant provisions of labor contract and applicable labor regulations. The Group has established standardized employee recruitment and resignation procedures.

The Group adheres to the principle of "equal opportunities, fair competition, comprehensive assessment and merit-based hiring" during the recruitment procedures, and has established a comprehensive internal assessment and performance appraisal mechanism to ensure fair promotion opportunities for employees. Employees enter into a labor contract with the Group upon induction, and the working hours of the Group's employees are in compliance with relevant requirements. The Group prohibits child labor and forced labor. In the event of resignation due to personal reason, employees may submit an application of resignation and are allowed to leave the Group upon completion of the resignation procedures. In the event that the Group takes the initiative to terminate or suspend labor relationship with employees, the Group fulfills the obligation of prior notice in accordance with the requirements of relevant laws and regulations. As at 31 December 2022, the Group had a total of 8,755 full-time employees, who are all located in the PRC.

1. Composition of employees

	Number of employees	Percentage
By gender		
Male	**3,526**	**40.3%**
– Management	152	1.7%
– Supervisor	154	1.7%
– General Staff	3,220	36.8%
Female	**5,229**	**59.7%**
– Management	66	0.8%
– Supervisor	180	2.1%
– General Staff	4,983	56.9%
By employment type		
Full-time	8,755	100.0%
Temporary/Part-time	0	0%
By age group		
<30	649	7.4%
30–50	1,446	16.5%
>50	6,660	76.1%
By geographical region		
Shandong province, China	8,354	95.4%
Rest of Mainland China	401	4.6%

Turnover rate	Percentage
Turnover rate of total employees	
By gender	
Male	14.4%
Female	15.8%
By age	
<30	10.8%
30–50	0.6%
>50	18.9%
By geographical	
Shandong Province	15.1%
Rest of Mainland China	18.2%

2. Remuneration and benefits

Employee remuneration of the Group comprises basic salary, position-based salary, tenure-based (seniority-based) salary, bonus, special rewards and insurance benefits. In particular, basic salary is determined based on a combination of factors such as job duties, responsibilities, operation scale, salary offered by peers, the area where the business of the Group is located, as well as knowledge and experience of the employee. Position-based salary is determined based on the grade of post. Tenure-based (seniority-based) salary is determined based on the length of service for the Group and time commitment of work. Bonus is determined based on the Group's annual operating performance, employees' performance and contribution.

The Group and its employees made contributions to various social insurance plans and housing provident funds in accordance with relevant provisions of the PRC. The relevant social insurance plans and housing provident fund are managed in accordance with local regulations.

The Group adopts a five-day work week arrangement. Employees are entitled to annual leaves and other paid leaves, such as maternity leave, paternity leave, compensatory leave, marriage leave and examination leave. According to the Group's policies, employees enjoy medical benefits, provident fund schemes and other benefits.

3. Actively nurtures and attracts industry talents

The Company emphasizes the introduction of talents, and explores a variety of recruitment cooperation methods to boost the introduction. The Company recruited one employee during the Reporting Period. However, the Company actively communicated with intermediaries such as 51job.com and deepened the cooperation with universities. According to the social needs of combining production, studies and research, the Company, together with certain universities, actively admitted tertiary institution students for training and internship to enhance their practical ability and strengthen their competitiveness for employment.

We understand the value of a diverse and professional team of talents. We are dedicated to developing and maintaining an inclusive and cooperate workplace culture where all staff can thrive. The Group is devoted to providing equal opportunities for all employees and to ensuring that employees are free from any discrimination, physical or verbal harassment in the workplace on the basis of gender, race, religion, age, marital and family status, disability or any other grounds. To ensure a fair and equal protection for all employees, the Group does not tolerate any form of sexual harassment or bullying in the workplace.

B2. Health and Safety

The Group adheres to a people-oriented approach and demonstrates its care for employees' health and safety by optimizing employee health protection mechanisms and earnestly implementing safety drills and educational training.

Due to the Group's business nature, the working environment within the Group does not expose employees to significant safety hazards, however, we acknowledge the importance of occupational health and safety, and endeavour to provide our employees a safe and pleasant working environment. We have formulated a series of health and safety management measures at our workplace with reference to relevant laws and regulations to safeguard the health and safety of our employees.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations related to health and safety that had with a significant impact on the Group. Relevant laws and regulations include but not limited to the "Labour Law of the People's Republic of China" and the "Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases".

1. Safeguarding the health and safety of employees

The Group earnestly implements the legal instructions of safety production regulations and fully implements the principal responsibilities of safety. It has strengthened its internal enterprise management and carried out safety and health work to provide employees with a safe and healthy working environment. It has earnestly implemented the work approach on fire-fighting of "precaution comes first with a combination of prevention and fighting", and strengthened training to all staff on fire-fighting knowledge and management of internal fire-fighting facilities and equipment. It has also enhanced security and fire safety awareness of employees through means of organizing staff safety training. During the COVID-19 epidemic, the Group prepared masks and other epidemic prevention items for all staff.

Occupational health and safety performance	Unit	**2022**
Lost work days due to work injury	Days	**383**

During the past three years including the Reporting Period, the Group did not record any cases of work-related fatalities.

2. Organizing various cultural and sports activities

The Company attaches great importance to employees' cultural activities and leisure lives and hopes to organize a variety of cultural activities to strengthen team cohesion. During the Reporting Period, the Company organized two team-building and outreach activities and four annual gatherings. The Company organized four film premiere watching activities for employees. During our daily operation, the Company organizes fitness activities with its employees, such as planks and yoga, and encourages employees to exercise at a nearby gym through jogging and weightlifting.

During the period, the Group had no violations related to the provision of a safe working environment and the protection of employees from occupational hazards, and no deaths of employees due to the work.

B3. Development and Training

The Group attaches great importance to the diversified development of employees, actively promotes daily communication, and promotes the development of employees through the formulation of strict training plans, so as to make full use of their strengths.

The Group focuses on the leadership and management function training for senior staff to expand their international vision and improve their change management ability, strategic analysis ability, operation and management ability, business collaboration ability, risk prevention ability, comprehensive humanistic quality, etc., in an effort to cultivate high-quality enterprise operation managers.

The Group focuses on the executive ability and professional skills training of middle-level staff, and strives to improve their professional theoretical level, business executive ability, organizational openness ability, business innovation ability, etc.

The Group focuses on professional and general skills training for entry level employees, strengthens the training in business operation, working process and rules and regulations, and improves their professional communication ability, customer service ability, team cooperation ability, office operation ability, etc.

During the Reporting Period, the Company held more than 20 internal trainings, including client maintenance, supplier selection, capital market and induction training for new employees.

During the Reporting Period, the Group provided training to all staff. The breakdown of the percentage of employees trained and the average training hours completed per employee by gender and employee category is as follows:

	Percentage of employee trained	Average training hours
By gender		
Male	100%	6
Female	100%	6
By employee category		
Senior management	100%	10
Middle management	100%	10
General staff	100%	6

B4. Labor Standards

The Group strictly complies with "Regulation on Labor Security Supervision" and "Provisions on the Prohibition of the Use of Child Labour" in China to prevent any employment of child labour and forced labour. During the Reporting Period, the Group was not aware of any material violations of laws and regulations on the prevention of child labour and forced labour.

The Group strictly abides by national laws and regulations, and resolutely eliminates the employment of child labor and forced labor; the Group strictly controls the recruitment process, and the candidates entering the interview process are not less than 18 years old, and the original personal ID card is required for the interview. The candidates must provide the original ID card, the original graduation certificate and other documents to go through the admission procedures.

In 2022, the Group did not have any employment-related violations of laws and regulations that had a significant impact on the Group, nor did it employ any child labour, forced labour or other violations of laws and regulations related to labour standards.

The Group has formulated the Employee Recruitment Management System, which is applicable to the recruitment of all employees of the Company.

In accordance with the requirements of this system, the recruitment of the Group shall follow the principle of fairness. For any position of the Group, promotion from within the Group shall be considered first, and then open recruitment to the society shall be considered. In the process of recruitment assessment, depending on the demand of the positions, the candidates with the knowledge, experience and skills of relevant positions will be recruited on a selective basis, which focuses on their educational background, work experience and comprehensive quality.

The Group implements an equal employment opportunity system, in accordance with applicable laws, candidates and employees will be given equal employment opportunities regardless of their ethnic background, color, gender, sexual orientation, origin, age, disability, religion, nationality, familial or marital status, civil rights, military or veteran status, gender identity, genetics, pregnancy and other legally guaranteed class or characteristics.

B5. Supply chain management

The Group has established a series of stringent and standardised supply chain management procedures for all suppliers.

The Group extends sustainability considerations to the suppliers and the business partners to promote environmentally and socially responsible practices. The Group aims to build close relationships with the suppliers and provide high quality services and products with environmental and social responsibility to achieve our sustainable development goals. Suppliers must act according to the principles of integrity to avoid any transfer of benefits. Under the agreement with our suppliers, both parties will fulfill their corporate social responsibility and comply with business-related laws and regulations.

Due to its business nature, the Group has no fixed supplier in respect of its business. In the selection of suppliers, the Group would fully consider the business reputation of suppliers and whether they had any illegal acts, non-compliance and significant legal disputes in the past, and at the same time, conduct effective qualification assessment on suppliers against specific standards such as their ability, experience, qualification, reputation, financial condition and quality assurance system.

During the Reporting Period, the Group was not aware of any significant actual or potential negative impact of suppliers in respect of business ethics, environmental protection, etc.The Group encourages and expects business partners to adhere to the same ethical standards shared by the Group. Before the formal start of cooperation, the Group makes a comprehensive evaluation of business partners according to various criteria.

Number of Suppliers by Region	2022
Shandong province	1,197
Rest of Mainland China	163
Total	1,360

The Group established a full life cycle management process for various suppliers from procurement, payment, acceptance to withdrawal, and continuously inspects and evaluates the hardware facilities and operational capabilities of suppliers. In the process of supplier access, we will include the supplier system certification and whether the supplier has the relevant qualifications for green environmental protection, whether it has ISO 14001 or ISO 45001 certificates and other factors into the scope of qualification audit. If necessary, the Group will check the relevant licenses at the supplier's site to ensure the authenticity and validity of the licenses provided by the supplier. During the evaluation stage, suppliers with quality defects, unqualified environmental impact assessments or integrity problems will be eliminated and blacklisted. Through communication and cooperation with our suppliers, we encourage them to comply with regulations and guidelines related to the environment and social responsibility, and implement an effective management plan to enable them to comply with regulations in a systematic manner. We hope to demonstrate supply chain responsibility, redefine internal management requirements and adjust procurement strategies.

During the Reporting Period, the suppliers to whom the practices related to supplier access were implemented were fully covered in the audit of the suppliers who had cooperated.

During the procurement process, the Group encourages suppliers to use environmentally friendly products and services. The Group adheres to fair operating practices and has a sound supplier selection process with clear supplier selection criteria and the ability to identify potential risks in the Group's supply chain. We encourage our suppliers to maintain high standards of business ethics and conduct and strive to achieve satisfactory environmental and social performance. When selecting and evaluating suppliers, we will consider a number of factors such as quality system, environmental and social performance, and strive to establish long-term supply and demand cooperation.

B6. Product responsibility

The quality and safety of our services determine our customer relationships and our business development. We have placed focus on not only developing innovative services, but also on maintaining both the quality and quantity of our services.

The Group aims to build and enhance its own brand and to become a leading integrated property management service provider. As a quality property management service provider, the Group believes that quality control is critical to its success.

We strictly comply with all relevant laws and regulations relating to product responsibilities, including but not limited to "Law of the People's Republic of China on the Protection of Consumer Rights and Interests" and "Product Quality Law of the People's Republic of China" of mainland China.

During the Reporting Period, the Group was not aware of any material non-compliance with any laws and regulations in relation to product and service quality, and no material complaints were received in relation to products and services. Customer satisfaction has reached our expected level. The Group has comprehensive complaint handling procedures, and the Group's complaint and risk reporting systems to facilitate customer feedback.

During the Reporting Period, we have received 25 complaints from our customers, tenants and visitors, among which there were 15 complaints related to our services and with valid support. Our Group has not received any material complaint or claim for compensation from our customers due to quality issue in relation to the services carried out by our Group or subcontractors.

To understand our customers' needs and enhance our quality, our general manager and business department directors will visit our customers to receive their feedbacks from time to time and the quality assurance department will conduct customer satisfaction investigation annually. The services to be improved will be listed out and delivered to the responsible staff for their rectification and follow-up.

During the ordinary course of our business operations, we receive suggestions and complaints from our customers, tenants or visitors from time to time regarding our services. We encourage our customers to lodge their complaints through Runzhiyun (潤之雲), a mobile application developed by our Group or the following office/department directly:

Regional service office

Our customer service personnel in the regional service offices are responsible to register the suggestions and complaints and inform the responsible staff to resolve the issue. Our frontline staff are required to resolve or propose the solution in a timely manner in order to uphold the quality of services.

Business department

Subject to the preference of the complainant, we may introduce the complainant to contact the regional service office in charge or instruction the responsible staff to handle the complaint directly. The business department will request the responsible staff to resolve or propose the solution in a timely manner and to report the status of rectification accordingly.

Headquarters

Our customer service personnel at the headquarters will fill in the complaint form for the complainant and send the form to the responsible regional branch office and/or business department depending on the nature and seriousness. The regional branch office shall analyse the reason and responsibilities for the incident, formulate a rectification plan and, after approved by the business department, resolve the issue or propose the solution within 24 hours. All verbal and written complaints are recorded in the "complaint log-book" which is kept by the quality assurance department.

During the Reporting Period, the Company proactively addressed customers' problems in a timely manner by carrying out major daily works, such as customer consultation, customer response, customer complaint etc. Meanwhile, through communication with customers, we timely discovered problems in the service process and system and reflected them to the relevant departments.

The Group regards product quality as of utmost importance and strives for excellence in product quality. As of the end of 2022, the Group has not experienced any major violations related to the health and safety of its products, customer privacy protection and intellectual property rights, and there have been no any major computer system or network security incident occurs. The Group has not been involved in advertising and labeling matters in the course of business during the Reporting Period.

Intellectual property rights protection is indispensable for innovation and research and development. Effective property rights protection management is helpful to protect the new technological achievements of enterprises and strengthen the core competition of enterprises. While fully respecting intellectual property rights of other parties, the Group protects its intellectual property rights from being infringed. The Group is strictly in compliance with laws and regulations, such as the Patent Law of the People's Republic of China (中華人民共和國專利法), Copyright Law of the People's Republic of China (中華人民共和國著作權法)and Trademark Law of the People's Republic of China (中華人民共和國商標法), and the Intellectual Property Rights Reporting Procedures and Incentive System Management Regulations, with an aim to stipulate and regulate the reporting procedures of the intellectual property rights of different departments and encourage department staff to partake in knowledge innovation and technology R&D.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to products and intellectual property rights that had a significant impact on the Company.

The Group is committed to protecting the privacy of its customers in every aspect of our operation. In compliance with the laws, regulations and ordinances, such as the Personal Information Protection Law of the People's Republic of China (中華人民共和國個人資訊保護法),Law of the People's Republic of China on the Protection of Consumer Rights and Interests (中華人民共和國消費者權益保護法), we avoid the risk of privacy leakage and build a safe and orderly operating environment by continuously improving the Group's internal relevant systems and taking multiple measures to effectively fulfil our due confidentiality responsibilities. A project manager in each department is responsible for protecting the privacy of its customers to ensure effective protection of customer information.

During the Reporting Period, the Group did not record any incidents of non-compliance in relation to privacy protection.

During the Reporting Period, the satisfaction rate of customers was almost 100%. As to minor matters with which customers are not satisfied, the Company carried out follow-up inspection, timely corrected the problems occurred during the services provided for customers and prevented the reoccurrence of such problems. Meanwhile, based on the problems raised by customers, the Company analyzed the behavioral habits of customers, sorted out the common problems among customers and serviced our customers even before they need.

B7. Anti-corruption

The Group strictly complies with "Company Law of the People's Republic of China", "Anti-money Laundering Law of the People's Republic of China" and other laws and regulations. During the Reporting Period, the Group did not identify any material non-compliance with the relevant laws and regulations of bribery, extortion, fraud and money laundering nor any concluded legal cases regarding corrupt practices brought against the Group and its employees. The Group has established a specific anti-corruption policy with systemic anti-corruption documents such as the application form of conflict of interests. The Group focuses on enhancing supervision and improves system construction.

The Group has particularly strengthened the supervision and inspection on key areas such as fees and expenditure. The Company has strengthened the moral integrity supervision mechanism, developed and improved the series of work systems, improved the work process of supervision and discipline, and expanded the channels for receiving letters and visits.

In order to raise the awareness of anti-corruption among the Group's employees, the management of the Group has actively promoted the anti-fraud policy and related measures, and provided training for employees on laws and regulations, which mainly include: 1. strict compliance with laws and regulations and related requirements of the Group by the directors, supervisors and management of the Group; and 2. promoting anti-fraud policy through employee manual, corporate correspondence or networking to ensure all employees receive training on laws and regulations as well as standards of occupational ethics. In 2022, the Group provided anti-corruption training to its directors and employees. In the future, we will continue to strengthen internal anti-corruption management and gradually expand it to the board of directors.

In order to comply with applicable anti-corruption laws and regulations of the PRC, we have formulated and implemented an anti-corruption regime. Key anti-corruption measures include the following:

(i) we provide anti-fraud and ethics training to our new employees and distribute our anti-corruption policy to all employees through employee handbooks and announcements;

(ii) we require all employees to sign the anti-corruption practice commitment on an annual basis to indicate that each of them is aware of and voluntarily abide by our anti-corruption requirements;

(iii) we have established a set of rules, such as requiring separation of duties so that the same person cannot be equipped with the authority to propose funding and approve funding at the same time, to implement financial control measures in order to manage corruption and bribery risks, so that financial transactions are accurately, completely and timely recorded;

(iv) we specifically require our employees to submit all reimbursement requests related to entertainment related fee or gifts presented to third parties on behalf of our Group in accordance with our expense expenditure policy, and specifically record the reason for the expenditure. Any entertainment expenses exceeding certain amount per person must be approved in advance by the respective department head. Our compliance officer also maintain a register for details of the interactions between our employees and Government officials or Government related personnel;

(v) we have a whistleblowing and complaint handling process through written submissions, WeChat official accounts, telephone or email, and we will conduct investigations for any suspected cases of bribery, corruption or other related misconduct or fraudulent activities. In cases where misconduct is found, we may take disciplinary actions as appropriate, report to the relevant regulatory authorities and/or initiate legal actions to recover any losses suffered by us as a result of such misconduct; and

(vi) we have established a set of rules to strictly prohibit our suppliers from offering any unauthorised payment, such as bribes, kickbacks, or benefit to our employees in order to secure or reward an improper benefit. If any misconduct, such as fraud or other illegal activities, is identified, it will be deemed as a material breach under the agreement entered into between our suppliers and us. We also have required our employees to follow detailed procedures during various business activities and communications with our suppliers to avoid intentional and inadvertent bribery activities, including requests for quotations, evaluating and securing suppliers, receiving and evaluating price quotes, receiving materials.

During the Reporting Period, the Group's anti-corruption work had been satisfactory, and there was no negative incident.

B8. Community Investment

The Group is actively committed to corporate social responsibilities. The Group encourages the employees to participate in beneficial activities to make contribution to society. The Group will continue to make contributions to the community, pay attention to the society as well as the difficulties and needs of the underprivileged parties at all times, and actively reward to the society, with an aim to facilitating social harmony.

In the future, the Group will also adhere to carry out diversified public welfare activities through multiple channels.

V. REGULATORY COMPLIANCE

The Group observes closely the laws and regulations relevant to our businesses and makes efforts to meeting regulatory compliance. Regulatory frameworks within which the Group operates are analysed and monitored, internal policies are prepared and updated accordingly.

Tailor-made workshops are also conducted where necessary so as to strengthen the awareness and understanding of the internal controls and compliance procedures of the Group.

During the Reporting Period, the Group was not aware of any non-compliance with laws and regulations that have a significant impact on the Group relating to areas including environmental protection, employment and labour practices and operating practices.

VI. CONCLUSION

The Group has conducted the ESG report in accordance with the Environmental, Social, Governmental Reporting Guide (Appendix 27 of the Listing Rules), all the information available for the Reporting Period are included in this ESG report. The Group strives to continue the ESG reporting on an annual basis and to improve on policies and procedures to the management, measurement and monitoring system of the ESG related strategies that will facilitate a more sustainable business growth.

INDEPENDENT AUDITOR'S REPORT

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To the shareholders of Runhua Living Service Group Holdings Limited
(Incorporated in the Cayman Islands under the Companies Act of the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Runhua Living Service Group Holdings Limited (formerly known as Runhua Intelligence Health Service Co., Ltd. and Runhua Property Technology Development Inc) (the "**Company**") and its subsidiaries (the "**Group**") set out on pages 89 to 174, 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 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 disclosure requirements of the requirements of 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 matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
As at 31 December 2022, the carrying amount of trade receivables was amounted to RMB150,839,000, which accounted for approximately 56.43% of the current assets of the Group. Management assessed the expected credit losses of trade receivables based on assumptions about expected credit loss rates. It involved significant judgments 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. Relevant disclosures are included in notes 2.3, 3 and 20 to the consolidated financial statements.	Our audit procedures in relation to assessing the recoverability of trade receivables included: – Obtaining an understanding of how management assessed the expected credit losses for trade receivables, and evaluating the key control relating to how management monitored the recoverability of trade receivables; – Evaluating and testing the methodologies and data or parameters used by management, including historical loss information, and forward-looking factors; – Reviewing the ageing information of trade receivables on a sample basis; – Inquiring of management for the status of each of the material trade receivables which were past due as at the year end date; – Testing, on a sample basis, the subsequent settlements of trade receivables to cash receipts and the related supporting documentation; and – Assessing 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 Management Discussion and Analysis of the Annual Report, (but does not include the consolidated financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and the remaining parts of the Annual Report, which are expected to be made available to us after that date.

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 identified above when it becomes available 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.

When we read the remaining parts of the Annual Report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the Audit Committee.

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 disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors 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, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

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

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

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional 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.

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

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 Yin Guo Wei.

Ernst & Young
Certified Public Accountants
Hong Kong
30 March 2023

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2022

	Notes	**2022 RMB'000**	2021 RMB'000
REVENUE	*5*	**691,999**	601,298
Cost of services		**(569,849)**	(487,156)
Gross profit		**122,150**	114,142
Other income and gains and expenses, net	*5*	**6,615**	7,292
Selling and distribution expenses		**(5,816)**	(4,703)
Administrative expenses		**(68,514)**	(54,528)
Finance costs	*7*	**(8,541)**	(11,299)
Share of profit of an associate		**5,758**	5,540
PROFIT BEFORE TAX	*6*	**51,652**	56,444
Income tax expense	*10*	**(11,271)**	(11,993)
PROFIT FOR THE YEAR		**40,381**	44,451
Attributable to:			
Owners of the parent		**40,167**	44,300
Non-controlling interests		**214**	151
		40,381	44,451
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT			
Basic and diluted	*12*	**RMB0.18**	RMB0.20

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
PROFIT FOR THE YEAR		**40,381**	44,451
OTHER COMPREHENSIVE INCOME		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**40,381**	44,451
Attributable to:			
Owners of the parent		**40,167**	44,300
Non-controlling interests		**214**	151
		40,381	44,451

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT ASSETS			
Property and equipment	*13*	**19,211**	18,464
Investment properties	*14*	**107,129**	63,904
Right-of-use assets	*15*	**–**	1,285
Other intangible assets	*16*	**2,618**	2,995
Investments in an associate	*17*	**133,432**	127,674
Other receivables and other assets	*22*	**2,326**	–
Deferred tax assets	*18*	**8,365**	3,260
Total non-current assets		**273,081**	217,582
CURRENT ASSETS			
Inventories	*19*	**124**	123
Trade receivables	*20*	**150,839**	85,028
Contract assets	*21*	**25,103**	8,729
Prepayments, other receivables and other assets	*22*	**21,114**	21,344
Financial assets at amortised cost	*23*	**–**	9,900
Restricted deposits	*24*	**5,482**	11,894
Cash and cash equivalents	*24*	**64,664**	112,080
Total current assets		**267,326**	249,098
CURRENT LIABILITIES			
Trade payables	*25*	**41,376**	42,696
Other payables and accruals	*26*	**105,747**	106,897
Interest-bearing bank borrowings	*27*	**33,140**	41,140
Lease liabilities	*15*	**16,899**	6,718
Tax payable		**14,071**	7,592
Total current liabilities		**211,233**	205,043
NET CURRENT ASSETS		**56,093**	44,055
TOTAL ASSETS LESS CURRENT LIABILITIES		**329,174**	261,637

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank borrowings	*27*	**61,540**	55,680
Lease liabilities	*15*	**66,756**	47,638
Deferred tax liabilities	*18*	**51**	40
Total non-current liabilities		**128,347**	103,358
Net assets		**200,827**	158,279
EQUITY			
Equity attributable to owners of the parent			
Paid-in capital	*28*	**1**	1
Reserves	*30*	**200,449**	158,115
		200,450	158,116
Non-controlling interests		**377**	163
Total equity		**200,827**	158,279

Yang Liqun
Director

Fei Zhongli
Director

Year ended 31 December 2022

	Attributable to owners of the parent										
	Paid-in capital RMB'000 *(note 28)*	Shares held for RSU Scheme* RMB'000 *(note 30)*	Share premium reserve* RMB'000 *(note 30)*	Share-based payment reserve* RMB'000 *(note 29)*	Merger reserve* RMB'000 *(note 30)*	Statutory reserve* RMB'000 *(note 30)*	Retained profits* RMB'000	Other reserve* RMB'000 *(note 30)*	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2022	1	(1,200)	2,027	6,097	31,214	13,727	106,250	–	158,116	163	158,279
Profit for the year	–	–	–	–	–	–	40,167	–	40,167	214	40,381
Total comprehensive income for the year	–	–	–	–	–	–	40,167	–	40,167	214	40,381
Equity-settled share-based compensation	–	–	–	1,748	–	–	–	–	1,748	–	1,748
COVID-19 rental concession from a related party *(notes 15 and 30)*	–	–	–	–	–	–	–	419	419	–	419
Transfer from retained profits	–	–	–	–	–	5,144	(5,144)	–	–	–	–
At 31 December 2022	1	(1,200)	2,027	7,845	31,214	18,871	141,273	419	200,450	377	200,827

Year ended 31 December 2021

	Attributable to owners of the parent									
	Paid-in capital RMB'000 (note 28)	Shares held for RSU Scheme* RMB'000 (note 30)	Share premium reserve* RMB'000 (note 30)	Share-based payment reserve* RMB'000 (note 29)	Merger reserve* RMB'000 (note 30)	Statutory reserve* RMB'000 (note 30)	Retained profits* RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2021	–	(1,200)	–	4,220	31,214	9,009	66,668	109,911	18	109,929
Profit for the year	–	–	–	–	–	–	44,300	44,300	151	44,451
Total comprehensive income for the year	–	–	–	–	–	–	44,300	44,300	151	44,451
Capital contribution from a shareholder	1	–	2,027	–	–	–	–	2,028	–	2,028
Equity-settled share-based compensation	–	–	–	1,877	–	–	–	1,877	–	1,877
Dividends paid to a non-controlling shareholder	–	–	–	–	–	–	–	–	(6)	(6)
Transfer from retained profits	–	–	–	–	–	4,718	(4,718)	–	–	–
At 31 December 2021	1	(1,200)	2,027	6,097	31,214	13,727	106,250	158,116	163	158,279

* These reserve accounts comprise the consolidated reserves of RMB200,449,000 (2021: RMB158,115,000) in the consolidated statement of financial position.

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		**51,652**	56,444
Adjustments for:			
Finance costs	*7*	**8,541**	11,299
Share of profit of an associate		**(5,758)**	(5,540)
Bank interest income	*5*	**(711)**	(433)
Interest income from financial assets	*5*	**(473)**	(68)
Interest income from Tianjin Tianfu Management	*5*	**(110)**	–
Interest income from loans to a related party	*5*	**–**	(2,089)
Depreciation of property and equipment	*13*	**4,129**	3,307
Depreciation of investment properties	*14*	**18,854**	5,933
Amortisation of other intangible assets	*16*	**396**	386
Depreciation of right-of-use assets	*15*	**1,285**	3,720
Net loss on disposal of items of property and equipment	*5*	**223**	4
Gain on termination of lease contract as lessee	*5*	**(802)**	(56)
Provision for impairment of trade receivables	*20*	**2,589**	258
Equity-settled share award expenses		**1,748**	1,877
Decrease/(increase) in restricted deposits		**412**	(312)
Increase in contract assets		**(16,374)**	(8,729)
(Increase)/decrease in inventories		**(1)**	87
Increase in trade receivables		**(68,400)**	(12,032)
Increase in prepayments, other receivables and other assets		**(5,714)**	(4,785)
Decrease/(increase) in trade payables		**(1,320)**	231
Increase/(decrease) in other payables and accruals		**3,169**	(6,838)
Cash (used in)/generated from operations		**(6,665)**	42,664
Bank interest income	*5*	**711**	433
Income tax paid		**(9,886)**	(12,146)
Net cash flows (used in)/generated from operating activities		**(15,840)**	30,951

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Notes	2022 RMB'000	2021 RMB'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property and equipment		**(5,933)**	(6,368)
Proceeds from disposal of items of property and equipment		**834**	163
Purchases of intangible assets		**(19)**	(59)
Purchase of investment properties	14	**(26,875)**	–
Dividends received from an associate	17	**3,618**	5,757
Advanced from an associate		**–**	3,618
Repayment of advance from an associate		**(3,618)**	–
Repayment of loans from a related party		**–**	124,840
Interest from loans to a related party	5	**–**	2,089
Interest from financial assets	5	**473**	68
Interest from Tianjin Tianfu Management	5	**110**	–
Net cash flows (used in)/from investing activities		**(31,410)**	130,108
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of interest-bearing bank borrowings		**(42,140)**	(222,090)
New interest-bearing bank borrowings		**40,000**	110,000
Decrease/(increase) in a pledged deposit	24	**6,000**	(10,000)
Deemed distribution to the then shareholders		**–**	(21,100)
Principal portion of lease payments		**(4,684)**	(5,935)
Interest paid		**(8,541)**	(11,299)
Dividends paid to non-controlling shareholders		**–**	(6)
Capital contribution from a shareholder		**–**	2,028
Repayment of amounts due to Tianjin Tianfu Management	26	**(701)**	–
Net cash flows used in financing activities		**(10,066)**	(158,402)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(57,316)**	2,657
Cash and cash equivalents at beginning of year		**121,980**	119,323
CASH AND CASH EQUIVALENTS AT END OF YEAR		**64,664**	121,980
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and cash equivalents as stated in the statement of financial position	24	**64,664**	112,080
Financial assets at amortised cost	23	**–**	9,900
Cash and cash equivalents as stated in the statement of cash flows		**64,664**	121,980

1. CORPORATE AND GROUP INFORMATION

Runhua Living Service Group Holdings Limited (formerly known as Runhua Intelligence Health Service Co., Ltd. and Runhua Property Technology Development Inc, respectively) (the "**Company**") is an exempted company with limited liability incorporated in the Cayman Islands under the Companies Act of the Cayman Islands. The registered office address of the Company is Floor 4, Willow House, Cricket Square, Grand Cayman KY1–9010, Cayman Islands. The principal place of business is located at 6th Floor, Building No. 1 Lemeng Center, No. 28988 Jingshi Road, Jinan City, Shandong Province, the People's Republic of China (the "**PRC**").

The Company is an investment holding company. The Company's subsidiaries were involved in the provision of property management services, property engineering services, landscape construction services, leasing services from investment property and other services in the PRC.

The Company's shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 17 January 2023.

In the opinion of the director of the Company, the ultimate holding company of the Company is Springrain Investment Limited, a limited liability company incorporated in the British Virgin Islands ("**BVI**").

The Company's principal subsidiaries are as follow:

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Runhua Property Tech Inc	British Virgin Islands 6 July 2020	USD 50,000	100	–	Investment holding
Runhua Holdings Ltd.	Hong Kong 7 August 2020	HKD 1	–	100	Investment holding
Shandong Runhua Property Development Co., Ltd. ("山東潤華物業發展有限公司") *(i)*	PRC/Mainland China 25 September 2020	RMB 10,000,000	–	100	Provision of property management service
Jinan Runwu Landscaping Engineering Co., Ltd. ("濟南潤物園林工程有限公司") *(i)*	PRC/Mainland China 24 March 2014	RMB 2,000,000	–	100	Provision of landscape construction service
Shandong Runhua Property Management Co., Ltd. ("山東潤華物業管理有限公司") *(i)*	PRC/Mainland China 14 February 1996	RMB 50,500,000	–	100	Provision of property management service
Jinan Runwu Construction and Installation Engineering Co., Ltd. ("濟南潤物建築安裝工程有限公司") *(i)*	PRC/Mainland China 21 May 2015	RMB 20,000,000	–	100	Provision of property engineering service

1. CORPORATE AND GROUP INFORMATION (Continued)

The Company's principal subsidiaries are as follow: (Continued)

Name	Place of incorporation/ registration and business	Issued ordinary/ registered share capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Shandong Qiantai Commercial Management Co., Ltd. ("山東乾泰商業管理有限公司") *(i)*	PRC/Mainland China 19 August 2015	RMB 5,000,000	–	100	Provision of parking service
Shandong Anfu Security Service Co., Ltd. ("山東安輔保安服務有限公司") *(i)*	PRC/Mainland China 13 January 2016	RMB 20,000,000	–	100	Provision of security service
Shandong Qianning Commercial Management Co., Ltd. ("山東乾寧商業管理有限公司") *(i)*	PRC/Mainland China 29 February 2016	RMB 10,000,000	–	100	Sale of general merchandise
Shandong Shanyou Property Management Co., Ltd. ("山東善佑物業經營管理有限公司") *(i)*	PRC/Mainland China 4 December 2017	RMB 10,000,000	–	100	Provision of property management service
Shandong Anfu Mechanical and Electrical Equipment Co., Ltd. ("山東安輔機電設備有限公司") *(i)*	PRC/Mainland China 7 May 2019	RMB 10,000,000	–	100	Sale of elevator accessories
Shandong Anning Housekeeping Service Co., Ltd. ("山東安寧健康產業有限公司") *(i)*	PRC/Mainland China 3 May 2016	RMB 3,000,000	–	100	Provision of housekeeping service
Shandong Kaidi Network and Information Technology Co., Ltd. ("山東凱迪網絡信息技術有限公司") *(i)*	PRC/Mainland China 1 September 2000	RMB 5,000,000	–	100	Provision of technological development services
Shandong Runhua Renfu Property Services Co., Ltd. ("山東潤華仁孚物業服務有限公司") *(i)*	PRC/Mainland China 28 May 2020	RMB 10,000,000	–	80	Provision of property management service
Shandong Yongyuan Property Management Co., Ltd. ("山東永源物業管理有限公司") *(i)*	PRC/Mainland China 25 November 2020	RMB 3,000,000	–	65	Provision of property management service
Jinan Runhui Human Resources Service Co., Ltd. ("濟南潤暉人力資源服務有限公司") *(i)*	PRC/Mainland China 23 August 2021	RMB 5,000,000	–	100	Provision of human resources service

(i) Except for Shandong Runhua Property Development Co., Ltd., which is registered as a wholly-foreign-owned enterprise under PRC law, the above subsidiaries are registered as domestic enterprises with limited liability under PRC law.

The English names of the companies registered in the PRC represent the best efforts made by management of the Company in directly translating the Chinese names of these companies as no English names have been registered.

The above table lists the subsidiaries of the Company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. All HKFRSs effective for the accounting period commencing from 1 January 2022 together with the relevant transitional provisions, have been early adopted by the Group in the preparation of the consolidated financial statements throughout the reporting period. They have been prepared under the historical cost convention, except for wealth management products 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 (collectively referred to as the "**Group**") for the year ended 31 December 2022. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

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

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

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

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

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.

2.1 BASIS OF PREPARATION (Continued)

Basis of consolidation (Continued)

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 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not adopted 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

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (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. 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 also clarify the situations that are considered a settlement of a liability. 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.

2.2 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS (Continued)

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.

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 become 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 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 Group has recognised temporary differences relating to right-of-use assets and lease liabilities on a net basis. Upon initial application of these amendments, the Group will recognise deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. During the year, the Group has performed a detailed assessment on the impact of amendments to HKAS 12. The Group has estimated that it will recognise a deferred tax asset of RMB13,012,000 for deductible temporary differences associated with lease liabilities and a deferred tax liability of RMB12,498,000 for taxable temporary differences associated with right-of-use assets, and recognise the cumulative effect of initially applying the amendments as an adjustment to retained profits at 1 January 2022.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investments in an associate

An associate is an entity in which the Group has a long-term interest of generally not less than 20% of the equity voting rights and over which it is able to exercise significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investments in an associate are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of associates are included in the consolidated statement of profit or loss and consolidated other comprehensive income, respectively. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its associate is eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

Business combinations and goodwill

Business combinations not under common control 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.

2.3 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 net 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.

Merger accounting for business combination under common control

As explained in note 30(ii) below, the consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Fair value measurement

The Group measures its financial assets including financial assets at fair value through profit or loss 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Fair value measurement (Continued)

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.

All assets and liabilities for which fair value is measured or disclosed in the financial statements 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 statements 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, contract assets, 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. In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units.

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 the statement of profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of non-financial assets (Continued)

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 the statement of profit or loss in the period in which it arises.

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);
- (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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and equipment and depreciation

Property and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property 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 and equipment have been put into operation, such as repairs and maintenance, is normally charged to the statement of 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 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 the straight-line basis to write off the cost of each item of property and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Category	Estimated useful life	Estimated residual value
Buildings	35 years	3%
Motor vehicles	4 years	5%
Electronic devices	3 years	5%
Furniture, fixtures and equipment	5 years	5%
Leasehold improvement	Over the shorter of the lease terms and 5 years	0%
Others	3 years	5%

Where parts of an item of property 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 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

The Group measures its investment properties at cost, including related transaction costs. Depreciation is calculated using the straight-line method to allocate their cost over their estimated useful lives of 6 to 35 years.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals. Any gains or losses on the retirement or disposal of an investment property are recognised in the statement of profit or loss in the year of the retirement or disposal.

Transfers between investment property, owner-occupied property and inventories do not change the carrying amount of the property transferred and they do not change the cost of that property for measurement or disclosure purposes.

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 the acquisition. The useful lives of intangible assets are assessed to be finite. 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.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether the indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is accounted for on a prospective basis.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 to 10 years.

The intangible assets of the Group mainly consist of enterprise information management system, central delivery software, central medical waste management software and smart security community platform software. The intangible assets are estimated to have a useful life of 5 to 10 years.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

(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 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. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease terms and the estimated useful lives of the assets of 2 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.

(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 termination of 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 the lease term, a change in lease payments (e.g., a change to future lease payments resulting from a change in an index or rate) or a change in assessment of an option to purchase the underlying asset.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Leases (Continued)

Group as a lessee (Continued)

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

The Group applies the short-term lease recognition exemption to its short-term leases (that is those leases that have a lease term of 12 months or less from commencement date and do not contain a purchase option).

Lease payments on short-term leases 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 the statement of 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 to an underlying asset to the lessee are accounted for as finance leases.

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, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments and other financial assets (Continued)

Initial recognition and measurement (Continued)

In order for a financial asset to be classified and measured at amortised cost or fair value through other comprehensive income, 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.

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 the statement of 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 statements 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets (Continued)

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.

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. The Group considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment of financial assets (Continued)

General approach (Continued)

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 and contract assets 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

Simplified approach

For trade receivables and contract assets 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 financial liabilities at fair value through profit or loss, 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 and Interest-bearing bank borrowings.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial liabilities (Continued)

Subsequent measurement

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

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing bank borrowings 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 the statement of 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 the statement of profit or loss.

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 the statement of 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.

Treasury shares

Own equity instruments which are reacquired and held by the Company or the Group (treasury shares) are recognised directly in equity at cost. No gain or loss is recognised in the statement of profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

Inventories

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

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

For the purpose of the consolidated statement 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 the statement of profit or loss.

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 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 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 relevant 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 and the associates, 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income tax (Continued)

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 and the associates, 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 each 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.

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 at the end of 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition

Revenue from contracts with customers

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.

Property management services

Revenue from the provision of property management services is recognised over a scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by the Group.

Property engineering and landscape construction services

Revenue from the provision of property engineering and landscape construction services is recognised over time, using an input method to measure progress towards complete satisfaction of the service. The Group transfers control of a service over time if one of the following criteria is met:

a) the customer simultaneously receives and consumes the benefits provided by the entity's performance as the entity performs;

b) the entity's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.

The input method recognises revenue based on the proportion of the actual costs incurred relative to the estimated total costs for satisfaction of the construction services.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue recognition (Continued)

Other services

Revenue from other services is recognised over the scheduled period on a straight-line basis because the customer simultaneously receives the benefits provided by the Group.

Revenue from other sources

Rental income is recognised on a time proportion basis over the lease terms.

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 over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Group performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional. Contract assets are subject to impairment assessment, details of which are included in the accounting policies for impairment of financial assets.

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).

Share-based payments

Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services in exchange for equity instruments ("**equity-settled transactions**").

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted. The fair value is computed based on their most recent post-money valuations.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding restricted share unit scheme is reflected as additional share dilution in the computation of earnings per share.

Other 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 government. These subsidiaries are required to contribute a certain percentage of their payroll costs to the central pension scheme. The contributions are charged to the statement of profit or loss as they become payable in accordance with the rules of the central pension scheme.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other 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 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.

Foreign currencies

The financial statements are presented in RMB, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements 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 each reporting period. Differences arising on settlement or translation of monetary items are recognised in the statement of 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 differences on the item whose fair value gain or loss is recognised in other comprehensive income or profit or loss are 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.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Foreign currencies (Continued)

The functional currencies of certain overseas subsidiaries are currencies other than RMB. As at the end of the reporting period, the assets and liabilities of these entities are translated into RMB at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are 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 fluctuation 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 certain overseas subsidiaries are translated into RMB at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of certain overseas subsidiaries 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 statements 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.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Significant judgement in determining the lease term of contracts with renewal options

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate the lease (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group includes the renewal period as part of the lease term for leases of properties due to the significance of these assets to its operations. These leases have a short non-cancellable period (i.e., three years) and there will be a significant negative effect on production if a replacement is not readily available.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

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 on trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by 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 (i.e., gross domestic product, consumer price index, deposit reserve ratio, inflation rate and rate of unemployment) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing 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 is disclosed in notes 20 and 21.

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).

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (Continued)

Estimation uncertainty (Continued)

Impairment of non-financial assets (other than goodwill)

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. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. 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 to calculate the present value of those cash flows.

Deferred tax assets

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The carrying value of deferred tax assets relating to recognised tax losses at 31 December 2022 was RMB1,600,000 (2021: Nil). The amount of unrecognised tax losses at 31 December 2022 was RMB989,000 (2021: RMB1,550,000). Further details are contained in note 18 to the financial statements.

4. OPERATING SEGMENT INFORMATION

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

– The property management services segment includes property management services and other related services.

– The property engineering and landscape construction services segment includes property engineering related services and landscape construction services.

– The leasing services from investment property segment comprises, principally, investing in prime commercial space for its rental income potential.

– The others segment mainly includes (i) the technological development services which are mainly software supporting services, (ii) the intermediary services for patient nursing and post-natal caring services.

4. OPERATING SEGMENT INFORMATION (Continued)

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resource allocation and performance assessment. No analysis of segment assets and liabilities is presented as management does not regularly review such information for the purpose of resource allocation and performance assessment. Therefore, only segment revenue and segment results are presented.

Year ended 31 December 2022	Property management RMB'000	Property engineering and landscape construction services RMB'000	Leasing services from investment property RMB'000	Others RMB'000	Elimination of intersegment sales RMB'000	Total RMB'000
Segment revenue *(note 5)*						
Sales to external customers	635,869	39,581	9,931	6,618	–	691,999
Intersegment sales	–	15,357	–	–	(15,357)	–
	635,869	54,938	9,931	6,618	(15,357)	691,999
Segment results	58,113	4,611	(14,857)	4,911	–	52,778
Reconciliation:						
Other income and gains, net						6,615
Share of profit of an associate						5,758
Finance costs						(8,541)
Corporate and other unallocated expenses						(4,958)
Profit before tax						51,652

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2021	Property management RMB'000	Property engineering and landscape construction services RMB'000	Leasing services from investment property RMB'000	Others RMB'000	Total RMB'000
Segment revenue *(note 5)*					
Sales to external customers	542,838	49,301	5,942	3,217	601,298
Segment results	58,775	3,724	774	468	63,741
Reconciliation:					
Other income and gains, net					7,292
Share of profit of an associate					5,540
Finance costs					(11,299)
Corporate and other unallocated expenses					(8,830)
Profit before tax					56,444

Information about geographical areas

Since 100% of the Group's revenue and operating profit were generated from Mainland China and 100% of the Group's non-current assets other than financial instruments, and deferred tax assets were located in Mainland China during the reporting period, no further geographical information of operating segments presented.

Information about major customers

The Group has a large number of customers, and none of the revenue from these customers accounted for 10% or more of the Group's revenue during the year (2021: Nil).

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET

An analysis of revenue is as follows:

	2022 RMB'000	2021 RMB'000
Revenue from contracts with customers	**682,068**	595,356
Revenue from other sources：		
Gross rental income from investment property operating leases	**9,931**	5,942
	691,999	601,298

Revenue from contracts with customers

(a) Disaggregated revenue information

Types of services	2022 RMB'000	2021 RMB'000
Property management services	**635,869**	542,838
Property engineering services and landscape construction services	**39,581**	49,301
Others	**6,618**	3,217
Total revenue from contracts with customers	**682,068**	595,356
Timing of revenue recognition		
Services transferred overtime	**682,068**	595,356

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET (Continued)

Revenue from contracts with customers (Continued)

(a) Disaggregated revenue information (Continued)

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

Types of services	2022 RMB'000	2021 RMB'000
Revenue recognised that was included in contract liabilities at beginning of the year		
Property management services	**19,521**	13,607
Property engineering services and landscape construction services	**1,999**	11,761
Others	**448**	393
	21,968	25,761

(b) Performance obligations

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

Property management services

The performance obligation is satisfied over time as services are rendered. Management service contracts are for periods of one to five years, and are billed based on the time when the services are provided.

Property engineering services and landscape construction services

The performance obligation is satisfied over time as services are rendered. A certain percentage of payment is retained by customers until the end of the retention period as the Group's entitlement to the final payment is conditional on the satisfaction of the service quality by the customers over a certain period as stipulated in the contracts.

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET (Continued)

Revenue from contracts with customers (Continued)

(b) Performance obligations (Continued)

Other services
The performance obligation is satisfied over time as services are rendered and short-term advances are normally required before rendering the services. Other service contracts are for periods of one year or less, or are billed based on the time when the services are provided.

The amounts of transaction prices allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) during the reporting period are as follows:

	2022	2021
	RMB'000	RMB'000
Amounts expected to be recognised as revenue:		
Within one year	**305,496**	294,435
After one year	**58,855**	26,501
	364,351	320,936

The amounts of transaction prices allocated to the remaining performance obligations which are expected to be recognised as revenue after one year relate to property management services, of which the performance obligations are to be satisfied within five years. All the other amounts of transaction prices allocated to the remaining performance obligations are expected to be recognised as revenue within one year.

5. REVENUE, OTHER INCOME AND GAINS AND EXPENSES, NET (Continued)

	2022 RMB'000	2021 RMB'000
Other income		
Government grants*	4,468	4,467
Bank interest income	711	433
Interest income from loans to a related party	–	2,089
Interest income from financial assets	473	68
Interest income from management of Tianjin Tianfu Property Management Co., Ltd.	110	–
	5,762	7,057
Gains		
Gain on termination of lease contract as lessee	802	56
Others	274	183
	1,076	239
Other expenses		
Loss on disposal of items of property and equipment	(223)	(4)
	(223)	(4)
	6,615	7,292

* Government grants include various subsidies received by the Group from the relevant government bodies. 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*		**228,271**	208,651
Depreciation of property and equipment	*13*	**4,129**	3,307
Depreciation of investment properties	*14*	**18,854**	5,933
Depreciation of right-of-use assets	*15*	**1,285**	3,720
Amortisation of other intangible assets**	*16*	**396**	386
Employee benefit expenses (including directors' and chief executive's remuneration *(note 8)*)			
Wages and salaries		**320,629**	280,291
Pension scheme contributions		**16,491**	12,366
Equity-settled share award expenses		**1,748**	1,877
Lease payments not included in the measurement of lease liabilities		**5,089**	438
Provision for impairment of trade receivables	*20*	**2,589**	258
Listing expenses		**4,958**	8,830

* The amount of cost of services excludes those included in depreciation of property and equipment, depreciation of investment properties and employee benefit expenses, which are included in the respective total amounts disclosed separately above for each of these types of expenses during the year.

** The amortisation of other intangible assets during the reporting is included in administrative expenses in the consolidated statements of profit or loss.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2022 RMB'000	2021 RMB'000
Interest on interest-bearing bank borrowings	**4,602**	9,740
Interest on lease liabilities	**3,939**	1,559
	8,541	11,299

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 RMB'000	2021 RMB'000
Fees	–	–
Other emoluments:		
Salaries, allowances and benefits in kind	692	778
Pension scheme contributions	60	72
Equity-settled share award expenses	447	487
Performance related bonuses	–	220
	1,199	1,557

(a) Independent non-executive directors

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

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

(b) Executive directors, non-executive directors and the chief executive

	Year ended 31 December 2022					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expenses RMB'000	Performance related bonuses RMB'000	Total RMB'000
Chairman of the Board and executive director:						
Mr. Yang Liqun	–	296	20	380	–	696
Chief Executive Officer and executive director:						
Mr. Fei Zhongli	–	396	40	67	–	503
Non-executive directors:						
Mr. Luan Tao	–	–	–	–	–	–
Mr. Cheng Xin	–	–	–	–	–	–
Mr. Luan Hangqian	–	–	–	–	–	–
	–	692	60	447	–	1,199

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

(b) Executive directors, non-executive directors and the chief executive (Continued)

	Year ended 31 December 2021					
	Fees RMB'000	Salaries, allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Equity-settled share award expenses RMB'000	Performance related bonuses RMB'000	Total RMB'000
Chairman of the Board and executive director:						
Mr. Yang Liqun	–	314	36	410	120	880
Chief Executive Officer and executive director:						
Mr. Fei Zhongli	–	464	36	77	100	677
Non-executive directors:						
Mr. Luan Tao	–	–	–	–	–	–
Mr. Cheng Xin	–	–	–	–	–	–
Mr. Luan Hangqian	–	–	–	–	–	–
	–	778	72	487	220	1,557

There was no arrangement under which a director or the chief executive waived or agreed to waive any remuneration during the year.

9. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included one directors (2021: two directors). Details of whose remuneration are set out in note 8 above. Details of the remuneration of the remaining highest paid employees who are neither a director nor chief executive of the Company are as follows:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	1,868	1,453
Pension scheme contributions	158	108
Equity-settled share award expenses	317	268
Performance related bonuses	–	180
	2,343	2,009

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following bands is as follows:

	Number of employees As at 31 December 2022	2021
Nil to HKD500,000	–	–
HKD500,001 to HKD1,000,000	4	3
	4	3

10. INCOME TAX

	2022 RMB'000	2021 RMB'000
Current Mainland China corporate income tax		
Charge for the year	**16,092**	11,473
Under provision in prior year	**273**	–
Deferred *(note 18)*	**(5,094)**	520
Total	**11,271**	11,993

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Company and its subsidiary incorporated in the British Virgin Islands are not subject to any income tax.

Under the Hong Kong tax laws, the Company's subsidiary in Hong Kong is subject to Hong Kong profits tax at a rate of 16.5% for taxable income earned in Hong Kong before 1 April 2018. Starting from the financial year commencing on 1 April 2018, the two-tiered profits tax regime took effect, under which the tax rate is 8.25% for assessable profits on the first HKD2,000,000 and 16.5% for any assessable profits in excess of HKD2,000,000. No provision for Hong Kong profits tax was made for the years ended 31 December 2022 and 2021 on the basis that the subsidiary did not have any assessable profits arising in or derived from Hong Kong during the current and prior years.

The Group is subject to income tax on an entity basis on profits arising in or derived from the jurisdictions in which members of the Group are domiciled and operate.

In accordance with the Enterprise Income Tax Law of the People's Republic of China, subsidiaries established in the PRC were subject to the income tax rate of 25% during the reporting period.

One of the Group's PRC subsidiaries was qualified as a high and new technology enterprise in 2020 and thus entitled to a preferential tax rate of 15% from 2020 to 2022. Meanwhile, this subsidiary was also qualified as a double soft certification enterprise from 2018, under the "Two Free, Three Half" program, and exempted from income tax in the first two years of profitability and pays only half of its applicable income tax of 25% for the next three years. In this connection, this subsidiary was taxed at 12.5% for each of the years ended 2021 and 2022. In addition, this subsidiary was also qualified as a Small Low-profit Enterprise, of which the taxable income rate is subject to the preferential income tax policy with a lower actual tax burden.

10. INCOME TAX (Continued)

According to the *Announcement of the Ministry of Finance and the State Administration of Taxation on Further Implementing the Preferential Income Tax Policies for Small Low-profit Enterprises* (Announcement No. 13 [2022] of the Ministry of Finance and the State Administration of Taxation) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2022 to 31 December 2024, for the portion of annual taxable income amount which exceeds RMB1 million but not more than RMB3 million, the taxable income amount is reduced at a rate of 25%, and it is subject to enterprise income tax at a rate of 20%. According to the *Announcement of the Ministry of Finance and the State Administration of Taxation on Implementing Preferential Income Tax Policies for Small Low-profit Enterprises and Individual Industrial and Commercial Households* (No. 12 at the end of 2021) jointly issued by the Ministry of Finance and the State Administration of Taxation, during the period from 1 January 2021 to 31 December 2022, for the portion of annual taxable income amount which does not exceed RMB1 million, the taxable income amount is reduced at a rate of 12.5%, and it is subject to enterprise income tax at a rate of 20%. Certain of the Group's PRC subsidiaries and branches are qualified as small low-profit enterprises and thus were entitled to tax incentives during the year.

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rates is as follows:

	2022 RMB'000	2021 RMB'000
Profit before tax	**51,652**	56,444
Tax at the PRC corporate income tax rate of 25%	**12,913**	14,111
Effect of preferential tax rate of subsidiaries	**(2,965)**	(2,281)
Adjustments in respect of current tax of previous year	**273**	–
Expenses not deductible for tax	**2,529**	1,769
Profits attributable to an associate	**(1,440)**	(1,386)
Research and development super-deduction	**(25)**	(103)
Income not subject to tax	**(10)**	(17)
Tax losses utilised from previous year	**(25)**	(132)
Tax losses and temporary differences not recognised	**21**	32
Tax charge at the Group's effective rate	**11,271**	11,993

The share of tax attributable to an associate during the year amounted to RMB2,580,000 (2021: RMB1,625,000) is included in "Share of profit of an associate" in the consolidated statement of profit or loss.

11. DIVIDENDS

No dividends have been paid or declared by the Company during the year. The Board does not recommend any payment of final dividend for the year ended 31 December 2022 (2021: Nil).

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

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the parent. The weighted average number of ordinary shares used to calculate the basic earnings per share amount for the year ended 31 December 2022 and 2021 was 219,430,694 (2021: 219,430,694), representing the weighted average number of ordinary shares of the Company immediately after the Capitalisation Issue (as explained in note 39), as if all these shares had been in issue throughout the years ended 31 December 2022 and 2021.

The Group had no potentially dilutive ordinary shares in issue during the reporting period.

The calculations of basic and diluted earnings per share are based on:

	2022 **RMB'000**	2021 RMB'000
Earnings:		
Profit attributable to ordinary equity holders of the parent	**40,167**	44,300

	2022 **Number of Shares**	2021 Number of Shares
Number of shares:		
Weighted average number of ordinary shares in issue during the year, used in the basic and diluted earnings per share calculation	**219,430,694**	219,430,694
Earnings per share		
Basic and diluted *(RMB)*	**0.18**	0.20

13. PROPERTY AND EQUIPMENT

	Buildings RMB'000	Electronic devices RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Total RMB'000
31 December 2022						
At 1 January 2022						
Cost	6,648	3,427	16,992	2,042	1,442	30,551
Accumulated depreciation	(1,012)	(1,625)	(7,770)	(1,190)	(490)	(12,087)
Net carrying amount	5,636	1,802	9,222	852	952	18,464
At 1 January 2022, net of accumulated depreciation	5,636	1,802	9,222	852	952	18,464
Additions	–	903	4,112	31	887	5,933
Disposals	–	(47)	(874)	(136)	–	(1,057)
Depreciation provided during the year	(173)	(655)	(2,811)	(341)	(149)	(4,129)
At 31 December 2022, net of accumulated depreciation	5,463	2,003	9,649	406	1,690	19,211
At 31 December 2022						
Cost	6,648	4,283	20,230	1,937	2,329	35,427
Accumulated depreciation	(1,185)	(2,280)	(10,581)	(1,531)	(639)	(16,216)
Net carrying amount	5,463	2,003	9,649	406	1,690	19,211

13. PROPERTY AND EQUIPMENT (Continued)

	Buildings RMB'000	Electronic devices RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Others RMB'000	Total RMB'000
31 December 2021						
At 1 January 2021						
Cost	6,648	3,290	13,035	1,726	1,442	26,141
Accumulated depreciation	(839)	(2,048)	(6,459)	(845)	(380)	(10,571)
Net carrying amount	5,809	1,242	6,576	881	1,062	15,570
At 1 January 2021, net of accumulated depreciation	5,809	1,242	6,576	881	1,062	15,570
Additions	–	1,003	5,049	316	–	6,368
Disposals	–	(44)	(123)	–	–	(167)
Depreciation provided during the year	(173)	(399)	(2,280)	(345)	(110)	(3,307)
At 31 December 2021, net of accumulated depreciation	5,636	1,802	9,222	852	952	18,464
At 31 December 2021						
Cost	6,648	3,427	16,992	2,042	1,442	30,551
Accumulated depreciation	(1,012)	(1,625)	(7,770)	(1,190)	(490)	(12,087)
Net carrying amount	5,636	1,802	9,222	852	952	18,464

* As at 31 December 2022, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB895,000 (2021: RMB952,000).

** No items of property or equipment were mortgaged as at 31 December 2022. As at 31 December 2021, the buildings with a net book value of approximately RMB5,636,000 were mortgaged to the bank for a loan amounting to RMB20,000,000 with an interest rate of 5.655% (note 27).

14. INVESTMENT PROPERTIES

	2022 RMB'000	2021 RMB'000
Carrying amount at 1 January	**63,904**	45,848
Additions resulting from a new lease	**–**	26,666
Additions resulting from acquisition	**9,145**	–
Additions resulting from leasehold improvement	**17,730**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**46,218**	–
Termination of lease contract	**(11,014)**	(2,677)
Depreciation	**(18,854)**	(5,933)
Carrying amount at 31 December	**107,129**	63,904

* As at 31 December 2022, the Group had not obtained the ownership certificates for certain car parking lots with a net book value of approximately RMB8,914,000 (2021: Nil).

The Group's investment properties are measured using a cost model and depreciated to write off their costs net of estimated residual values over their estimated useful lives on a straight-line basis.

The Group's investment properties are located on the land in the PRC with a period of land use right from 20 to 40 years for self-owned properties.

The investment properties are leased to third parties and related parties under operating leases, further summary details of which are included in note 15 to the financial statement. The carrying amount of the investment properties subleased or intended to be subleased at 31 December 2022 was RMB70,498,000 (2021: RMB51,356,000).

No item of investment properties was mortgaged as at 31 December 2022. As at 31 December 2021, the investment properties with a net book value of approximately RMB10,054,000 were mortgaged to the bank for a loan amounting to RMB20,000,000 with an interest rate of 5.655% (note 27).

14. INVESTMENT PROPERTIES (Continued)

Fair value hierarchy

Fair values of the investment properties as at the end of reporting period are as follows:

	2022 RMB'000	2021 RMB'000
Investment properties in the PRC	**121,887**	75,519

The fair values of the Group's investment properties as at the end of reporting period are determined by valuations conducted by Arista Valuation Advisory Ltd, an independent valuer. Under the valuation models, a market-based approach has been adopted for a property acquired in this year and a discounted cash flow (DCF) method has been adopted for the other properties.

The fair value estimations for the self-owned properties and leased properties were both at Level 3 of the fair value hierarchy.

15. LEASES

The Group as a lessee

The Group has lease contracts for commercial buildings and car parks. Leases of commercial buildings and car parks generally have lease terms between 12 months and 9 years.

(a) Right-of-use assets

Except for the amounts classified as investment properties detailed in note 14, the carrying amounts of the Group's other right-of-use assets and the movements during the year are as follows:

Leasehold property

	2022 RMB'000	2021 RMB'000
Carrying amount at beginning of year	**1,285**	1,285
Depreciation charge	**(1,285)**	(953)
Carrying amount at end of year	**–**	332

15. LEASES (Continued)

The Group as a lessee (Continued)

(b) Lease liabilities

The carrying amount of lease liabilities and the movements during the year are as follows:

	2022 RMB'000	2021 RMB'000
Carrying amount at beginning of year	**54,356**	31,353
New leases	**–**	31,671
Accretion of interest recognised during the year	**3,939**	1,559
COVID-19-related rent concessions from lessors	**(419)**	–
Revision of a lease term arising from a change in the non-cancellable period of a lease	**46,218**	–
Termination of the lease contract	**(11,816)**	(2,733)
Payments	**(8,623)**	(7,494)
Carrying amount at end of year	**83,655**	54,356
Analysed into:		
Current portion	**16,899**	6,718
Non-current portion	**66,756**	47,638

The maturity analysis of lease liabilities is disclosed in note 36.

The Group has applied the practical expedient to all eligible rent concessions granted by the lessors for leases of certain properties during the year.

15. LEASES (Continued)

The Group as a lessee (Continued)

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

	2022 RMB'000	2021 RMB'000
Interest on lease liabilities	**3,939**	1,559
Depreciation of investment properties and right-of-use assets	**17,347**	8,369
Expense relating to short-term leases	**5,089**	438
Total amount recognised in profit or loss	**26,375**	10,366

The Group as a lessor

The Group leases its investment properties (note 14) consisting of 4 self-owned commercial properties (2021: 3) and 3 subleased commercial properties (2021: 4) located in Mainland China under operating lease arrangements. The terms of the leases generally require the tenants to pay security deposits, in addition, the rent is subject to periodic adjustments according to the then prevailing market conditions. During the year, rental income recognised by the Group was RMB9,931,000 (2021: RMB5,942,000), details of which are included in note 5.

At 31 December 2022, the undiscounted lease payments receivable by the Group in future periods under non-cancellable operating leases with its tenants are as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**12,531**	6,783
After one year but within two years	**12,046**	6,030
After two years but within three years	**7,137**	6,713
After three years but within four years	**3,404**	5,325
After four years but within five years	**2,592**	4,813
After five years	**1,463**	6,552
	39,173	36,216

16. OTHER INTANGIBLE ASSETS

	Software RMB'000
31 December 2022	
At 1 January 2022:	
Cost	**4,882**
Accumulated amortisation	**(1,887)**
Net carrying amount	**2,995**
Cost at 1 January 2022, net of accumulated amortisation	**2,995**
Additions	**19**
Amortisation during the year	**(396)**
At 31 December 2022, net of accumulated amortisation	**2,618**
At 31 December 2022:	
Cost	**4,901**
Accumulated amortisation	**(2,283)**
Net carrying amount	**2,618**
31 December 2021	
At 1 January 2021:	
Cost	4,823
Accumulated amortisation	(1,501)
Net carrying amount	3,322
At 1 January 2021, net of accumulated amortisation	3,322
Additions	59
Amortisation provided during the year	(386)
At 31 December 2021, net of accumulated amortisation	2,995
At 31 December 2021:	
Cost	4,882
Accumulated amortisation	(1,887)
Net carrying amount	2,995

17. INVESTMENTS IN AN ASSOCIATE

	2022 RMB'000	2021 RMB'000
Share of net assets	**49,187**	43,429
Goodwill on acquisition	**84,245**	84,245
Net carrying amount	**133,432**	127,674

At 31 December 2022, the Group's associate is as follow:

Name	Place of registration and business	Paid-in capital	Percentage of ownership interest attributable to the Group	Principal activities
Tianjin Tianfu Property Management Co., Ltd. ("**Tianjin Tianfu**")	Tianjin	RMB6,000,000	41	Property management services

Tianjin Tianfu, which is considered a material associate of the Group, is engaged in property management services in Tianjin and is accounted for using the equity method.

17. INVESTMENTS IN AN ASSOCIATE (Continued)

The following table illustrates the summarised financial information in respect of Tianjin Tianfu reconciled to the carrying amount in the financial statements:

	2022 RMB'000	2021 RMB'000
Current assets	**185,150**	171,361
Non-current assets, excluding goodwill	**74,764**	89,003
Goodwill on acquisition of the associate	**84,245**	84,245
Non-current liabilities	**(16,125)**	(21,881)
Current liabilities	**(123,821)**	(132,559)
Net assets	**204,213**	190,169
Net assets, excluding goodwill	**119,968**	105,924
Reconciliation to the Group's interest in the associate:		
Proportion of the Group's ownership	**41%**	41%
Group's share of net assets of the associate, excluding goodwill	**49,187**	43,429
Goodwill on acquisition	**84,245**	84,245
Carrying amount of the investment	**133,432**	127,674

	Year ended 31 December 2022 RMB'000	Year ended 31 December 2021 RMB'000
Revenue	**303,610**	341,264
Depreciation and amortisation	**(12,027)**	(9,176)
Tax	**(6,292)**	(3,963)
Profit and total comprehensive income for the year	**14,043**	11,812
Dividend received*	**3,618**	5,757

* On 24 December 2021, the board of directors of Tianjin Tianfu approved a dividend distribution of RMB21,163,000, including dividends amounting to RMB9,375,000 to the Group, which were received with amounts of RMB5,757,000 and RMB3,618,000 respectively in 2021 and 2022, respectively.

18. DEFERRED TAX

The movements in deferred tax assets and liabilities during the reporting period are as follows:

(a) Deferred tax assets

	Lease liabilities RMB'000	Accruals RMB'000	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2022	**514**	**2,512**	**234**	**–**	**3,260**
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	**2,902**	**(45)**	**648**	**1,600**	**5,105**
Deferred tax assets at 31 December 2022	**3,416**	**2,467**	**882**	**1,600**	**8,365**

	Lease liabilities RMB'000	Accruals RMB'000	Impairment of financial assets RMB'000	Losses available for offsetting against future taxable profits RMB'000	Total RMB'000
At 1 January 2021	263	3,411	193	2	3,869
Deferred tax credited/(charged) to the statement of profit or loss during the year *(note 10)*	251	(899)	41	(2)	(609)
Deferred tax assets at 31 December 2021	514	2,512	234	–	3,260

18. DEFERRED TAX (Continued)

(b) Deferred tax liabilities

	Depreciation allowance in excess of related depreciation RMB'000
At 1 January 2021	(129)
Deferred tax credited to the statement of profit or loss during the year *(note 10)*	89
Deferred tax liabilities at 31 December 2021	(40)
At 1 January 2022	**(40)**
Deferred tax charged to the statement of profit or loss during the year *(note 10)*	**(11)**
Deferred tax liabilities at 31 December 2022	**(51)**

The following is an analysis of the deferred tax balances of the Group for financial reporting purposes:

	2022 RMB'000	2021 RMB'000
Net deferred tax assets recognised in the consolidated statements of financial position	**8,365**	3,260
Net deferred tax liabilities recognised in the consolidated statements of financial position	**(51)**	(40)

18. DEFERRED TAX (Continued)

(b) Deferred tax liabilities (Continued)

The Group has unrecognised tax losses and deductible temporary differences of RMB989,000 at 31 December 2022 (2021: RMB1,550,000). In respect of the tax losses and deductible temporary differences as they have arisen in certain subsidiaries of the Group that have been loss-making for some time it is not considered probable that taxable profits will be available against which the tax losses and deductible temporary differences can be utilised.

Pursuant to the PRC Enterprise 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%.

At 31 December 2022, the unremitted earnings that are subject to withholding taxes of the Group's subsidiaries in Mainland China were RMB169,403,000 (2021: RMB121,451,000). In the opinion of the directors, it is not probable that these subsidiaries will distribute such earnings in the foreseeable future, therefore no deferred tax has been recognised for such unremitted earnings.

There are no income tax consequences attaching to the payment of dividends by the Company to its shareholders.

19. INVENTORIES

	2022 **RMB'000**	2021 RMB'000
Low value consumables	**124**	123

20. TRADE RECEIVABLES

	2022 RMB'000	2021 RMB'000
Trade receivables	**155,628**	87,228
Impairment	**(4,789)**	(2,200)
	150,839	85,028

The Group's credit terms with its customers are mainly on credit. The credit period is generally within 90 days. Each customer has a maximum credit limit. The Group seeks to maintain strict control over its outstanding receivables and has a credit control department to minimise credit risk. Overdue balances are reviewed regularly by senior management. In view of the aforementioned and the fact that 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.

Included in the Group's trade receivables are amounts due from the Group's related parties of RMB1,743,000 as at 31 December 2022 (2021: RMB94,000), which are trade in nature, unsecured, interest-free and repayable on credit terms similar to those offered to the major customers of the Group.

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

	2022 RMB'000	2021 RMB'000
Within 1 year	**152,658**	85,122
1 to 2 years	**1,429**	433
Over 2 years	**1,541**	1,673
	155,628	87,228

The movements in the loss allowance for impairment of trade receivables are as follows:

	2022 RMB'000	2021 RMB'000
At beginning of year	**2,200**	1,942
Impairment losses *(note 6)*	**2,589**	258
At end of year	**4,789**	2,200

20. TRADE RECEIVABLES (Continued)

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

The Group writes off trade receivables when there is information indicating that the counterparty is in severe financial difficulties and there is no realistic prospect of recovery.

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

	As at 31 December 2022		
	Expected credit loss rate	**Gross carrying amount RMB'000**	**Expected credit losses RMB'000**
Within 1 year	**1.19%**	**152,658**	**1,819**
Over 1 year	**100.00%**	**2,970**	**2,970**
		155,628	**4,789**

	As at 31 December 2021		
	Expected credit loss rate	Gross carrying amount RMB'000	Expected credit losses RMB'000
Within 1 year	0.11%	85,122	94
Over 1 year	100.00%	2,106	2,106
		87,228	2,200

21. CONTRACT ASSETS

	2022 RMB'000	2021 RMB'000
Contract assets arising from:		
Construction services	**25,103**	8,729

Contract assets are initially recognised for revenue earned from the construction services as the receipt of consideration is conditional on successful completion of construction. Upon completion of construction and acceptance by the customer, the amounts recognised as contract assets are reclassified to trade receivables. The Group's trading terms and credit policy with customers are disclosed in note 20.

The financial assets included in the above balances relate to contract assets for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

The expected timing of recovery or settlement for contract assets is as follows:

	2022 RMB'000	2021 RMB'000
Within one year	**25,103**	8,729

22. PREPAYMENTS, OTHER RECEIVABLES AND OTHER ASSETS

	2022 RMB'000	2021 RMB'000
Current		
Prepayments to suppliers	**4,551**	2,019
Deposits and other receivables	**11,153**	11,912
Deferred listing expenses	**5,410**	3,795
Dividends due from an associate	**–**	3,618
	21,114	21,344
Non-current		
Deposits and other receivables	**2,326**	–

The Group's dividends due from an associate are non-trade in nature, unsecured, interest-free, repayable on demand and have been settled during the year.

The financial assets included in the above balances relate to receivables for which there was no recent history of default and past due amounts. As at 31 December 2022 and 2021, the loss allowance was assessed to be minimal.

23. FINANCIAL INVESTMENTS

Financial assets at amortised cost

	2022 RMB'000	2021 RMB'000
Wealth management products	**–**	9,900

The wealth management products were short-term investments with a maturity of 7 days and with fixed annual interest rates.

24. CASH AND CASH EQUIVALENTS AND RESTRICTED DEPOSITS

	2022 RMB'000	2021 RMB'000
Cash and bank balances	**70,146**	123,974
Less:		
Pledged time deposits for a bank loan *(note 27)*	**(4,000)**	(10,000)
Restricted time deposits	**(1,482)**	(1,894)
Cash and cash equivalents	**64,664**	112,080

At the end of the reporting period, the cash and bank balances of the Group denominated in HKD amounted to RMB1,233,000 (2021: RMB1,141,000).

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. Short-term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short-term time deposit rates. The bank balances and restricted deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE PAYABLES

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

	2022 RMB'000	2021 RMB'000
Within 3 months	**30,670**	37,592
3 to 6 months	**5,720**	91
6 months to 1 year	**170**	107
Over 1 year	**4,816**	4,906
	41,376	42,696

Trade payables are unsecured, non-interest-bearing and normally settled on terms of less than 90 days.

Included in the Group's trade payables are amounts due to the Group's related parties of Nil as at 31 December 2022 (2021: RMB4,200,000).

26. OTHER PAYABLES AND ACCRUALS

	Notes	2022 RMB'000	2021 RMB'000
Current			
Contract liabilities	*(a)*	25,394	21,968
Deposits	*(b)*	9,711	11,003
Staff payroll and welfare payables		57,181	54,284
Payables to the then equity holder of subsidiaries		1,620	1,620
Amounts due to Tianjin Tianfu Management		–	701
Advance from an associate	*(c)*	–	3,618
Amounts due to a related party	*(d)*	505	505
Other tax payable		7,143	6,702
Accrued liabilities		–	1,185
Receipts on behalf of customers and others		4,193	5,311
		105,747	106,897

(a) Details of contract liabilities are as follows:

	2022 RMB'000	2021 RMB'000
Short-term advances received from customers		
Property management services	23,274	19,522
Property engineering services	1,562	1,999
Others	558	447
Total contract liabilities	25,394	21,968

Contract liabilities include short-term advances received to render management services, installation and construction. The increase in contract liabilities in 2022 was mainly due to the increase in short-term advances received from customers in relation to the provision of property management services.

(b) Deposits mainly represent deposits from customers at the end of reporting period.

(c) The Group's advance from an associate is non-trade in nature and have been repaid in 2022.

(d) On 30 June 2020, the Group rented a property from an entity controlled by Mr. Luan Tao with an annual rent expense amounting to RMB2,184,000, of which RMB505,000 was only paid in February 2023.

Other payables are unsecured, interest-free and repayable on demand.

27. INTEREST-BEARING BANK BORROWINGS

		2022			2021		
		Effective interest rate (%)	**Maturity**	**RMB'000**	Effective interest rate (%)	Maturity	RMB'000
Current							
Bank loans							
– secured and guaranteed	*(a)*	**–**	**–**	**–**	5.655–5.67	2022	30,000
Bank loans – guaranteed	*(b)*	**4.30–5.60**	**2023**	**20,000**	–	–	–
Current portion of long-term bank loans							
– guaranteed		**4.45–5.67**	**2023**	**13,140**	4.65	2022	11,140
				33,140			41,140
Non-current							
Bank loans							
– secured and guaranteed	*(c)*	**5.67**	**2024**	**17,000**	–	–	–
Bank loans							
– guaranteed*	*(d)*	**LPR**	**2027**	**44,540**	LPR	2023–2027	55,680
				61,540			55,680
				94,680			96,820

	2022	2021
	RMB'000	RMB'000
Analysed into:		
Bank loans repayable:		
Within one year	**33,140**	41,140
In the second year	**28,140**	11,140
In the third to fifth years, inclusive	**33,400**	33,440
Beyond five years	**–**	11,100
	94,680	96,820

27. INTEREST-BEARING BANK BORROWINGS (Continued)

(a) Certain of the Group's bank loan were secured or mortgaged by:

i. A certificate of deposit amounting to RMB10,000,000 owned by the Group, which had carrying value at 31 December 2021 amounting to RMB10,000,000 with an interest rate of 5.655% and was repaid in 2022.

ii. The buildings with a net book value of approximately RMB5,636,000 and the investment properties with a net book value of approximately RMB10,054,000, owned by the Group, which had carrying value at 31 December 2021 amounting to RMB20,000,000 with an interest rate of 5.655% and was repaid in 2022.

(b) Certain of the Group's bank loans are guaranteed by:

i. a subsidiary of the Company, which had an aggregate carrying value at the end of the reporting period amounting to RMB10,000,000 and the loan was due within one year with an interest rate of 5.60%.

ii. an independent company, which had an aggregate carrying value at the end of the reporting period amounting to RMB10,000,000 and the loan was due within one year with an interest rate of 4.30%.

(c) Certain of the Group's bank loans at the end of the reporting period amounting to RMB17,000,000 were guaranteed by a subsidiary of the Company and secured by certificates of deposit amounting to RMB4,000,000 owned by the Group. The loan was due in two years with an interest rate of 5.67%.

(d) Certain Group's bank loan amounting to RMB55,680,000 as at 31 December 2021, which was guaranteed by the entities controlled by Mr. Luan Tao, was due in one to five years, and bore interest at 5 year PRC Loan Prime Rate ("**LPR**"). The interest rate shall be adjusted on 30 June of each calendar year by reference to the corresponding change of the most recent LPR before the adjustment date. The guarantees have been released in November 2022.

28. SHARE CAPITAL

Shares	2022	2021
Authorised (number of shares) Ordinary shares of USD0.0001	**500,000,000**	500,000,000
Issued but not paid (number of shares) Ordinary shares of USD0.0001	**200,000,000**	200,000,000
Issued and paid (number of shares) Ordinary shares of USD0.0001	**2,000,000**	2,000,000

As at 31 December 2022, the total number of ordinary shares of the Company was 202,000,000 (2021: 202,000,000), which included 5,000,000 treasury shares held and issued under the Pre-IPO RSU Scheme.

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

	Number of shares in issue	Paid-in capital RMB'000
At 1 January 2021	202,000,000	–
Contribution from a shareholder	–	1
At 31 December 2021 and 31 December 2022	**202,000,000**	**1**

On 30 June 2020, the Company was incorporated in the Cayman Islands as an exempted company with limited liability with an authorised share capital of USD50,000 shares of USD0.0001 at par value each. As of the date of incorporation, 202,000,000 ordinary shares were issued at par of USD0.0001 per share.

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which has 2,000,000 ordinary shares, injected HKD2,440,000 (RMB2,028,000) to the Company. After the injection, the Company had 2,000,000 ordinary shares issued and paid, and 200,000,000 ordinary shares issued but not paid, and had RMB1,000 share capital and RMB2,027,000 share premium.

29. SHARE INCENTIVE SCHEMES

The 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme

The Group adopted a share incentive scheme by to setting up an investment vehicle to invest in the then holding company for the purpose of providing incentives and rewards to eligible persons (including the Company's directors and employees of the Group and other eligible participants as defined under the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme) who contribute to the success of the Group's operations.

The 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme became effective in January 2016, March 2017 and March 2020 respectively and remained in force for 8 years from that date until January 2024, March 2025 and March 2028 respectively. The share incentive schemes were divided into 5 equal series with the vesting period of 4 year, 5 year, 6 years, 7 years and 8 years.

1,800,000 shares, 1,100,100 shares and 1,502,250 shares of the then holding company were granted to a total of 11, 3 and 17 employees (including directors) of the Group under the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme respectively.

In preparation for the listing of the Company's shares on the Stock Exchange, the Group went through a corporate reorganisation (the "**Reorganisation**"). As part of the Reorganisation, the Company was incorporated in the Cayman Islands on 30 June 2020. The Company subsequently became the holding company of the Group. In connection with the above restructuring, the Company replaced the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme with the new share incentive scheme (the "**Replaced Incentive Scheme**"), which was approved by a board resolution of the Company on 30 June 2020.

Except for the change of shares from the then holding company to the Company and the share split on the Reorganisation, the Replaced Incentive Scheme was exactly same as the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme and was treated as a replacement as there was no incremental fair value of shares granted arising from the replacement. The number of shares granted increased as one share was split into four shares upon the Reorganisation and the exercise prices were changed to reflect the share split accordingly.

Shares confer dividend rights and voting rights.

	2022		2021	
	Weighted average subscription price RMB per share	**Number of shares**	Weighted average subscription price RMB per share	Number of shares
At 1 January	**0.87**	**20,961,000**	0.78	25,545,000
Vested during the year	**0.40**	**(4,584,000)**	0.40	(4,584,000)
At 31 December	**1.00**	**16,377,000**	0.60	20,961,000

30. SHARE INCENTIVE SCHEMES (Continued)

The 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme (Continued)

The fair values of the 2016 Share Incentive Scheme, 2017 Share Incentive Scheme and 2020 Share Incentive Scheme were RMB6,660,000, RMB9,600,000 and RMB32,022,000, respectively, as at the grant date. The Group recognised share-based payments expenses of RMB1,744,000 during the year (2021: RMB1,877,000).

The fair value of equity-settled share schemes granted was estimated as at the date of grant using a binomial model, taking into account the terms and conditions upon which the schemes were granted. The following table lists the inputs to the model used:

The Pre-IPO restricted share unit scheme

On 20 December 2022, the board of directors resolved and adopted the Pre-IPO restricted share unit scheme ("**RSU Scheme**"). Pursuant to the resolution above, 5,000,000 shares were granted to the Group's employees and the exercise price of all RSUs was HKD1.50 per share. The Pre-IPO RSU is conditional on the grantee completing five years' service and can be converted into one ordinary share upon vesting.

The fair value of Pre IPO RSU Share Incentive Scheme was RMB898,000 as at the grant date. The Group recognised share-based payment expenses of RMB5,000 during the year (2021: Nil).

Movements in the number of RSUs outstanding are as follows:

	Number of shares
At 1 January 2022	–
Granted during the year	5,000,000
At 31 December 2022	**5,000,000**

The fair value of RSUs at the grant date was determined by reference to the fair value of the underlying ordinary shares on the date of grant.

30. RESERVES

The amounts of the Group's reserves and the movements therein are presented in the consolidated statements of changes in equity in the financial statements.

(i) Statutory reserve

In accordance with the Company Law of the People's Republic of China, the companies in the PRC are required to allocate 10% of the statutory after-tax profits to the statutory reserve until the cumulative total of the reserve reaches 50% of the companies' registered capital. Subject to approval from the relevant PRC authorities, the statutory reserve may be used to offset any accumulated losses or increase the registered capital of the companies. The statutory reserve is not available for dividend distribution to shareholders of the PRC subsidiaries.

(ii) Merger reserve

The merger reserve of the Group represents the capital contributions from the then equity holders of the subsidiaries. The additions in prior years represent the injections of additional paid-in capital by the equity holders of the subsidiaries to the respective companies. The deductions in prior years represent the acquisitions of paid-in capital of the subsidiaries by the Group from the Controlling Shareholders which are accounted for as distributions to the Controlling Shareholders and the acquisition of Shandong Kaidi Network and Information Technology Co., Ltd ("**Shandong Kaidi**") from a company controlled by Mr. Luan Tao. The acquisition of Shandong Kaidi was accounted for as a business combination under common control using the principle of merger accounting.

(iii) Shares held for RSU scheme

One employee resigned in 2020, and Mr. Luan Hangqian purchased the employee's shares on behalf of the Company and reserved them for the Pre-IPO RSU incentive schemes. The Pre-IPO RSU were granted on 20 December 2022.

(iv) Share premium reserve

On 26 January 2021, Archery Capital Management Limited, one of the shareholders of the Company, which had 2,000,000 ordinary shares, injected HKD2,440,000 (RMB2,028,000) to the Company. After the injection, the Company had 200,000,000 ordinary shares issued but not paid, with share capital of RMB1,000 and share premium of RMB2,027,000.

(v) Others

The COVID-19 rental concession was granted by an entity controlled by Mr. Luan Tao. Such rental concession was regarded as a contribution to the Group and the Group regarded this transaction as an equity transaction and recorded it into reserves.

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS

(a) Major non-cash transactions

The Group had non-cash additions to investment properties of RMB46,218,000 (2021: RMB26,666,000), in respect of lease arrangements.

The Group had no non-cash additions to right-of-use assets (2021: RMB5,005,000) in respect of lease arrangements.

(b) Changes in liabilities arising from financing activities

	Bank and other loans RMB'000	**Lease liabilities RMB'000**
At 1 January 2022	**96,820**	**54,356**
Changes from financing cash flows	**(2,140)**	**(8,623)**
COVID-19-related rent concessions from lessors	–	**(419)**
Revision of a lease term arising from a change in the non-cancellable period of a lease	–	**46,218**
Termination of lease contract as lessee	–	**(11,816)**
Interest expense *(note 7)*	–	**3,939**
At 31 December 2022	**94,680**	**83,655**

	Bank and other loans RMB'000	Lease liabilities RMB'000	Other payables RMB'000
At 1 January 2021	208,910	31,353	21,100
Changes from financing cash flows	(112,090)	(7,494)	(21,100)
New leases	–	31,671	–
Termination of lease contract as lessee	–	(2,733)	–
Interest expense *(note 7)*	–	1,559	–
At 31 December 2021	96,820	54,356	–

31. NOTES TO THE CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

(c) Total cash outflow for leases

	2022 RMB'000	2021 RMB'000
Within operating activities	5,089	438
Within financing activities	8,623	7,494
	13,712	7,932

32. CONTINGENT LIABILITIES

The Group did not have any contingent liabilities not disclosed at the end of reporting period.

33. PLEDGE OF ASSETS

Details of the Group's assets pledged for the Group's bank loans are included in notes 13, 14 and 24 respectively, to the financial statements.

34. COMMITMENTS

At the end of the reporting period, the Group did not have any significant commitments.

35. RELATED PARTY TRANSACTIONS

Mr. Luan Tao, Mr. Luan Hangqian and Ms. Liang Yuefeng entered into a concert party agreement, pursuant to which they acknowledged and confirmed that they had been acting in concert in exercising their rights as shareholders of Shandong Runhua Property Management Co., Ltd. before entering into the agreement, and agreed to continue the same going forward. Mr. Luan Hangqian and Ms. Liang will be subject to Mr. Luan Tao's decision when there is divergence.

Mr. Luan Tao	The controlling shareholder
Ms. Liang Yuefeng	The wife of the controlling shareholder
Mr. Luan Hangqian	The son of the controlling shareholder

(a) The Group had the following transactions with related parties:

	Notes	**2022 RMB'000**	2021 RMB'000
Services rendered to related parties			
Entities controlled by Mr. Luan Tao:			
Providing leasing services	*(i)*	**172**	235
Providing property engineering services and landscape construction services	*(i)*	**1,129**	902
Providing property management	*(i)*	**26,324**	25,308
Others	*(i)*	**2,983**	1,832
Entities controlled by Mr. Luan Hangqian:			
Providing property engineering services and landscape construction services	*(i)*	**16,943**	35,346
Providing property management	*(i)*	**5,970**	6,969
Others	*(i)*	**21**	–
Entities controlled by Mr. Luan Tao and Mr. Luan Hangqian:			
Providing property management	*(i)*	**162**	181
Entities controlled by Ms. Liang Yuefeng:			
Providing property engineering services and landscape construction services	*(i)*	**–**	2,628
Tianjin Tianfu			
Others	*(i)*	**181**	–
		53,885	73,401

35 RELATED PARTY TRANSACTIONS (Continued)

(a) The Group had the following transactions with related parties: (Continued)

	Notes	2022 RMB'000	2021 RMB'000
Purchases from related parties			
Entities controlled by Mr. Luan Tao:			
Receiving leasing services	*(i)*	**1,638**	1,926
Entities controlled by Mr. Luan HannggIan:			
Receiving of investment properties	*(i)*	**9,143**	–
		10,781	2,372

(i) Except for the COVID-19 rent concessions of RMB419,000 provided by an entity controlled by Mr. Luan Tao, which is mutually agreed by both parties by reference to certain published guidance, the prices for the above service fees and other transactions were determined in accordance with similar terms offered to third party customers.

(ii) During the year, an entity controlled by Mr. Luan Tao granted the Group a license to use certain trademarks owned by the entity (the "**Licensed Trademarks**") in the PRC on a royalty-free basis. The Group entered into a three-year trademark licensing agreement with the entity in 2021 on a royalty-free basis.

(b) Compensation of key management personnel of the Group

Compensation for key management other than those for directors as disclosed in note 8 is set out below:

	2022 RMB'000	2021 RMB'000
Salaries, allowances and benefits in kind	**2,499**	2,603
Pension scheme contributions	**226**	216
Equity-settled share award expenses	**317**	336
Performance related bonuses	**–**	290
	3,042	3,445

35 RELATED PARTY TRANSACTIONS (Continued)

(c) Outstanding balances of related parties

Details of the Group's trade payables, trade receivables, payables to the then equity holder of subsidiaries, advance from an associate, amounts due to Tianjin Tianfu Management and amounts due to a related party as at the end of reporting period are included in notes 20, 25 and 26.

The related party transactions in respect of services rendered to related parties of the Group above constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

36. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting periods are as follows:

31 December 2022

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	150,839
Financial assets included in prepayments, other receivables and other assets	13,479
Restricted deposits	5,482
Cash and cash equivalents	64,664
	234,464

Financial liabilities

	Financial liabilities at amortised cost RMB'000
Trade payables	41,376
Financial liabilities included in other payables and accruals	11,836
Interest-bearing bank borrowings	94,680
	147,892

36. FINANCIAL INSTRUMENTS BY CATEGORY (Continued)

31 December 2021

Financial assets

	Financial assets at amortised cost RMB'000
Trade receivables	85,028
Financial assets included in prepayments, other receivables and other assets	15,530
Financial assets at amortised cost	9,900
Restricted deposits	11,894
Cash and cash equivalents	112,080
	234,432

Financial liabilities

	Financial assets at amortised cost RMB'000
Trade payables	42,696
Financial liabilities included in other payables and accruals	17,445
Interest-bearing bank borrowings	96,820
	156,961

37. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

Management has assessed that the fair values of cash and cash equivalents, restricted deposits, financial assets at amortised cost, trade receivables, financial assets included in prepayments, other receivables and other assets, short-term interest-bearing bank borrowings, trade payables, financial liabilities included in other payables and accruals approximate to their carrying amounts largely due to the short-term maturities of these instruments.

Management has assessed that the fair values of non-current portion of other receivables and other assets, interest-bearing bank borrowings by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities. The changes in fair value of non-current portion of other receivables and other assets is insignificant, the non-current portion of bank borrowings bearing interest at floating rates approximate to their carrying amounts, as the carrying amounts are discounted using the relevant effective interest rates floated yearly which approximated to the prevailing borrowing rates.

The Group's corporate finance team is responsible for determining the policies and procedures for the fair value management of financial instruments. The corporate finance team reports directly to the chief financial officer and the board of directors. At each reporting date, the corporate finance team analyses the movements in the values of financial instruments and determines the major inputs applied in the valuation. The valuation is reviewed and approved by the chief financial officer. The valuation process and results are discussed with the board of directors for annual financial reporting.

The fair values of the financial assets and liabilities are included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. The following methods and assumptions were used to estimate the fair values.

Fair value hierarchy

The carrying amounts and fair values of the Group's non-current financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

	Carrying amounts As at 31 December		Fair values As at 31 December	
	2022 RMB'000	2021 RMB'000	**2022 RMB'000**	2021 RMB'000
Financial assets				
Other receivables and other assets	**2,326**	–	**2,326**	–
	2,326	–	**2,326**	–
Financial liabilities				
Interest-bearing bank borrowings	**61,540**	55,680	**61,540**	55,680
	61,540	55,680	**61,540**	55,680

The Group did not hold any financial assets and liabilities measured at fair value as at 31 December 2022 and 2021.

The fair value measurement hierarchy of the non-current portion of other receivables and other assets, interest-bearing bank borrowings are level 2 by using significant observable inputs.

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise lease liabilities, interest-bearing bank borrowings, and cash and cash equivalents. The main purpose of these financial instruments is to raise finance for the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are credit risk and liquidity risk. The board of directors reviews and agrees policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. There are no significant concentrations of credit risk within the Group.

Maximum exposure to credit risk at and year-end staging

The table below shows 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.

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
Contract assets*	–	–	–	25,103	25,103
Trade receivables*	–	–	–	155,628	155,628
Financial assets included in prepayments, other receivables and other assets	13,479	–	–	–	13,479
– Normal**					
Restricted deposits	5,482	–	–	–	5,482
Cash and cash equivalents					
– Not yet past due	64,664	–	–	–	64,664
	83,625	–	–	180,731	264,356

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Credit risk (Continued)

Maximum exposure to credit risk at and year-end staging (Continued)

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
Contract assets*	–	–	–	8,729	8,729
Trade receivables*	–	–	–	87,228	87,228
Financial assets included in prepayments, other receivables and other assets					
– Normal**	15,530	–	–	–	15,530
Financial assets at amortised cost	9,900	–	–	–	9,900
Restricted deposits	11,894	–	–	–	11,894
Cash and cash equivalents					
– Not yet past due	112,080	–	–	–	112,080
	149,404	–	–	95,957	245,361

* For trade receivables and contract assets to which the Group applies the simplified approach for impairment, information based on the provision matrix is disclosed in notes 20 and 21.

** 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".

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk

The Group monitors and maintains a level of cash and cash equivalents deemed adequate by management of the Group to finance the operations and mitigate the effects of fluctuations of cash flows.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

31 December 2022

	Less than 1 year RMB'000	**1 to 5 years RMB'000**	**Over 5 years RMB'000**	**Total RMB'000**
Interest-bearing bank borrowings	**36,975**	**65,734**	**–**	**102,709**
Trade payables	**36,560**	**4,816**	**–**	**41,376**
Financial liabilities included in other payables and accruals	**11,836**	**–**	**–**	**11,836**
Lease liabilities	**16,667**	**74,619**	**2,516**	**93,802**
	102,038	**145,169**	**2,516**	**249,723**

31 December 2021

	Less than 1 year RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank borrowings	41,674	44,580	11,100	97,354
Trade payables	42,696	–	–	42,696
Financial liabilities included in other payables and accruals	17,445	–	–	17,445
Lease liabilities	8,807	52,335	2,641	63,783
	110,622	96,915	13,741	221,278

38. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios 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. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the reporting period.

The Group monitors capital using a gearing ratio, which is total debt divided by the total assets. Total debt includes current liabilities and non-current liabilities. Total assets include current assets and non-current assets.

	2022 **RMB'000**	2021 RMB'000
Current liabilities	**211,233**	205,043
Non-current liabilities	**128,347**	103,358
Total debt	**339,580**	308,401
Total assets	**540,407**	466,680
Gearing ratio	**62.84%**	66.08%

39. EVENTS AFTER THE REPORTING PERIOD

(a) Capitalisation issue

Pursuant to the resolutions of the shareholders passed on 14 December 2022, the Company allotted and issued a total of 23,000,000 ordinary shares (including 569,306 shares been allotted to the RSU SPV), credited as fully paid at par, to Springrain Investment, Anlan BVI Companies, Lutong BVI Companies, Archery Capital Management Limited, and RSU SPV equally on 17 January 2023 by way of capitalisation of the sum of USD2,300 (approximately RMB15,999) standing to the credit of the share premium account of the Company.

(b) Listing of the shares

On 17 January 2023, the ordinary shares of the Company were listed on the Stock Exchange, and in connection with the Company's listing, 75,000,000 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$1.70 per share for aggregate cash proceeds before expenses of HK$127,500,000 (approximately RMB113,892,000).

40. 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 RMB'000	2021 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	2,033	2,028
CURRENT ASSETS		
Prepayments, other receivables and other assets	5,410	3,795
Total current assets	5,410	3,795
CURRENT LIABILITIES		
Due to related parties	24,377	17,802
Total current liability	24,377	17,802
NET CURRENT LIABILITIES	(18,967)	(14,007)
NET LIABILITIES	(16,934)	(11,979)
EQUITY		
Paid-in capital	1	1
Deficits	(16,935)	(11,980)
Total equity	(16,934)	(11,979)

40. STATEMENT OF FINANCIAL POSITION OF THE COMPANY (Continued)

Note:

A summary of the Company's reserves is as follows:

	Shares held for RSU Scheme RMB'000	Share premium reserve RMB'000	Share-based payment reserve RMB'000	Retained profits RMB'000	Total deficits RMB'000
At 1 January 2021	(1,200)	2,027	–	(3,977)	(3,150)
Total comprehensive income for the year	–	–	–	(8,830)	(8,830)
At 31 December 2021 and 1 January 2022	(1,200)	2,027	–	(12,807)	(11,980)
Total comprehensive loss for the year	–	–	–	(4,960)	(4,960)
Equity-settled share-based compensation	–	–	5	–	5
At 31 December 2022	**(1,200)**	**2,027**	**5**	**(17,767)**	**(16,935)**

41. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 30 March 2023.