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ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2022

References are made to the announcements of Kangqiao Service Group Limited (the “**Company**”) dated March 31, 2023, April 18, 2023, April 25, 2023, May 31, 2023 and June 30, 2023 in relation to, among other things, (i) suspension of trading; (ii) delay in publication of annual results for the year ended December 31, 2022 and delay in despatch of annual report; (iii) the Auditor’s Letter; and (iv) the Resumption Guidance (the “**Announcements**”). Unless the context requires otherwise, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

The board (the “**Board**”) of directors (the “**Directors**”) of the Company hereby announces that the auditing process of the 2022 Annual Results has been completed. The Board wishes to announce that the Company and its subsidiaries (the “**Group**” or “**Kangqiao Service**”) has obtained the agreement from the auditor of the Company on the figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes to the consolidated financial statements thereto as set out in this announcement.

The Board is pleased to announce the audited consolidated results of the Group for the year ended December 31, 2022 (the “**Year**”) with comparative figures for the year ended December 31, 2021.

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. Revenue for the Year was approximately RMB792.9 million, representing an increase of 1.2% compared with 2021.
2. Revenue by business lines for the Year was as follows:
 - (1) revenue from property management services was approximately RMB480.9 million, accounting for 60.7% of the total revenue, representing an increase of 37.1% compared with 2021;
 - (2) revenue from value-added services to non-property owners was approximately RMB151.5 million, accounting for 19.1% of the total revenue, representing a decrease of 51.4% compared with 2021;
 - (3) revenue from community value-added services was approximately RMB134.0 million, accounting for 16.9% of the total revenue, representing an increase of 10.8% compared with 2021; and
 - (4) revenue from city services was approximately RMB26.5 million, accounting for 3.3% of the total revenue.
3. Gross profit for the Year was approximately RMB191.1 million, representing a decrease of approximately 6.3% compared with 2021. Gross profit margin was 24.1%, representing a decrease of 1.9% as compared to that of 26.0% for 2021.
4. Profit for the Year was approximately RMB65.7 million, representing a decrease of approximately 25.8% as compared to that of approximately RMB88.6 million for 2021. Profit for the Year attributable to the owners of the Company was approximately RMB54.1 million, representing a decrease of approximately 35.5% as compared to that of approximately RMB83.9 million for 2021.
5. The contracted GFA in respect of property management services for the Year was approximately 63.3 million sq.m., representing a growth of 19.2% compared with 2021, among which approximately 51.0 million sq.m. or 80.6% were from third party property developers. The GFA under management was approximately 31.9 million sq.m., representing a growth of 35.9% compared with 2021, among which approximately 25.1 million sq.m. or 78.7% were from third party property developers. The GFA under management of non-residential properties was approximately 4.2 million sq.m., representing a growth of 104.3% compared with 2021. Approximately 98.5% of non-residential properties were from third party property developers.
6. The Board has proposed the payment of a final dividend of RMB0.057 per share for the Year.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2022

(All amounts in RMB thousands unless otherwise stated)

	Notes	Year ended December 31	
		2022	2021
		RMB'000	RMB'000
Revenue	4	792,920	783,567
Cost of sales	5	(601,852)	(579,715)
Gross profit		191,068	203,852
Administrative expenses	5	(53,047)	(61,705)
Selling and marketing expenses	5	(12,608)	(15,339)
Credit impairment losses		(47,736)	(6,542)
Other income		9,663	8,494
Other losses - net		(9,569)	(1,924)
Operating profit		77,771	126,836
Finance income		5,294	1,472
Finance costs		(1,077)	(8,395)
Finance income/(costs) - net		4,217	(6,923)
Share of profit of investments accounted for using the equity method		1,021	244
Profit before income tax		83,009	120,157
Income tax expenses	6	(17,304)	(31,598)
Profit for the year		65,705	88,559
Profit attributable to:			
– Owners of the Company		54,121	83,885
– Non-controlling interests		11,584	4,674
		65,705	88,559
Other comprehensive income			
Item that may be reclassified to profit or loss			
– Exchange difference on translation of foreign operations		10,353	(2,606)
Total comprehensive income for the year		76,058	85,953
Total comprehensive income attributable to:			
– Owners of the Company		64,474	81,279
– Non-controlling interests		11,584	4,674
		76,058	85,953
Earnings per share			
– Basic and diluted (expressed in RMB yuan per share)	7	0.08	0.14

CONSOLIDATED BALANCE SHEET

As at December 31, 2022

(All amounts in RMB thousands unless otherwise stated)

		As at December 31	
	Notes	2022	2021
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	8	13,829	10,207
Right-of-use assets		3,013	3,130
Investment properties		2,081	3,893
Intangible assets	9	52,918	56,118
Deferred income tax assets		21,652	9,988
Prepayments	10	69,730	65,629
Restricted cash		1,253	1,325
Investments accounted for using the equity method		1,953	932
		<u>166,429</u>	<u>151,222</u>
Current assets			
Inventories		1,014	1,075
Prepayments	10	3,308	1,045
Trade and other receivables	11	598,869	419,729
Restricted cash		10,847	-
Financial assets at fair value through profit or loss		43,094	21,018
Cash and cash equivalents		345,910	540,833
		<u>1,003,042</u>	<u>983,700</u>
Total assets		<u><u>1,169,471</u></u>	<u><u>1,134,922</u></u>
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	5,831	5,831
Other reserves	13	540,450	545,902
Retained earnings		165,082	116,156
		<u>711,363</u>	<u>667,889</u>
Non-controlling interests		<u>45,002</u>	<u>33,508</u>
Total equity		<u><u>756,365</u></u>	<u><u>701,397</u></u>

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2022

(All amounts in RMB thousands unless otherwise stated)

		As at December 31	
	Notes	2022	2021
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		2,387	4,783
Deferred income tax liabilities		6,314	7,028
Other payables	14	5,747	5,450
Contract liabilities		5,341	8,779
		<u>19,789</u>	<u>26,040</u>
Current liabilities			
Lease liabilities		7,131	5,002
Trade and other payables	14	274,012	243,292
Contract liabilities		104,711	138,024
Current income tax liabilities		7,463	21,167
		<u>393,317</u>	<u>407,485</u>
Total liabilities		<u>413,016</u>	<u>433,525</u>
Total equity and liabilities		<u>1,169,471</u>	<u>1,134,922</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2022

1 GENERAL INFORMATION

The Company was incorporated in the Cayman Islands on October 8, 2020 as an exempted company with limited liability under the Companies Act, Cap 22 of the Cayman Islands. The address of its registered office is Floor 4, Willow House, Cricket Square, Grand Cayman, KY1-9010, Cayman Islands.

The Company has been listed on the Main Board of The Stock Exchange of Hong Kong Limited since July 16, 2021 by way of its initial public offering.

The Company is an investment holding company. The Group is principally engaged in provision of property management services, related value-added services and city services in the People's Republic of China (the "PRC"). The ultimate controlling shareholder of the Group is Mr. Song Gewei ("Mr. Song", the "Controlling Shareholder").

These consolidated financial statements are presented in Renminbi ("RMB"), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board on July 28, 2023.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of the consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of the Company and its subsidiaries.

2.1 Basis of preparation

(a) *Compliance with HKFRS and Hong Kong Companies Ordinance*

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") and the disclosure requirements of the Hong Kong Companies Ordinance Cap. 622.

(b) *Historical cost convention*

The financial statements have been prepared on a historical cost basis, except for certain financial assets measured at fair value.

(c) *New and amended standards adopted by the Group*

The Group has applied the following standards and amendments for the first time for the annual reporting period commencing January 1, 2022. The adoption of these standards and amendments does not have significant impact on the consolidated financial statements of the Group.

Amendments to Hong Kong Accounting Standard (“HKAS”) 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to HKFRS 3	Update Reference to the Conceptual Framework
Amendments to HKAS 37	Onerous Contracts – Costs of Fulfilling a Contract
Annual Improvements	Annual Improvements to HKFRS Standards 2018-2020
Revised Accounting Guideline 5	Merger Accounting for Common Control Combinations

The Group did not change its accounting policies or make retrospective adjustments as a result of adopting the abovementioned amended standards or annual improvements.

(d) *New and amendments to existing standards that have been issued but are not effective for the financial year beginning on January 1, 2022 and have not been early adopted by the Group are as follows:*

		Effective for annual periods beginning on or after
HKFRS 17	Insurance Contracts	January 1, 2023
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to HKAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Hong Kong Interpretation 5 (2020)	Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause	January 1, 2023
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards, interpretation and amendments, certain of which are relevant to the Group’s operations, and not expected to have a material impact on the Group in the current or future reporting period.

3 SEGMENT INFORMATION

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

The Group is principally engaged in provision of property management services, related value-added services and city services in the PRC. Management reviews the operating results of the business as a single reporting segment as the nature of services, the type of customers for services, the method used to provide their services and the nature of regulatory environment is same in different regions.

During the year ended December 31, 2022, all the segments are domiciled in the PRC and all the revenue were derived in the PRC (2021: same).

As at December 31, 2022, substantially all assets of the Group were located in the PRC (December 31, 2021: same).

4 REVENUE

Revenue mainly comprises of proceeds from property management services, related value-added services and city services. An analysis of the Group's revenue by category is as follows:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Property management services	480,918	350,767
Value-added services to non-property owners	151,527	311,935
Community value-added services	133,970	120,865
City services	26,505	-
	<u>792,920</u>	<u>783,567</u>
Timing of revenue recognition		
- Over time	658,920	524,283
- At a point in time	134,000	259,284
	<u>792,920</u>	<u>783,567</u>

For the year ended December 31, 2022, revenue from entities controlled by Mr. Song contributed 13.9% (2021: 32.7%) of the Group's revenue. Other than entities controlled by Mr. Song, none of the Group's customers contributed 10% or more of the Group's revenue during the year ended December 31, 2022 (2021: same).

5 EXPENSES BY NATURE

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Employee benefit expenses	177,305	191,931
Sales agency service costs	47,981	87,670
Security service costs	107,963	98,208
Greening and cleaning expenses	128,602	90,824
Maintenance and customer service costs	62,042	56,883
Utilities	33,315	24,524
Listing expenses	-	14,019
Cost of goods sold	23,921	24,148
Decoration business cost	18,780	6,854
Office expenses	14,877	13,272
Travelling and entertainment expenses	6,690	7,352
Auditor's remuneration		
- Audit services	1,868	1,700
- Non-audit services	1,038	1,200
Depreciation of property and equipment (Note 8)	3,505	2,242
Depreciation of right-of-use assets	1,624	1,104
Depreciation of investment properties	1,812	1,812
Amortisation of intangible assets (Note 9)	3,391	1,594
Rental expenses related to short term leases	847	656
Others	31,946	30,766
	667,507	656,759

6 INCOME TAX EXPENSES

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Current income tax		
- PRC corporate income tax	29,682	35,295
Deferred income tax		
- PRC corporate income tax	(12,378)	(3,697)
	17,304	31,598

The Company was incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Act of Cayman Islands and accordingly, is exempted from Cayman Islands income tax. The Company's subsidiaries in the British Virgin Island (the "BVI") were incorporated under the International Business Companies Act of the BVI and accordingly, are exempted from the BVI income tax.

The Group's subsidiaries incorporated in Hong Kong did not have assessable profits in Hong Kong during the year ended December 31, 2022 (2021: same).

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof. The statutory tax rate is 25%. Under the relevant regulations of the corporate income tax Law, certain subsidiaries of the Group qualified as small enterprises earning low profits in the PRC are subject to a reduced income tax rate of 20%. Income tax expenses is recognised based on the management's estimate of the weighted average effective annual income tax rate expected for the full financial year.

Pursuant to the Detailed Implementation Regulations for Implementation of the Corporate Income Tax Law issued on December 6, 2007, dividends distributed from the profits generated by the PRC companies after January 1, 2008 to their foreign investors shall be subject to this withholding income tax of 10%, a lower 5% withholding income tax rate may be applied when the immediate holding companies of the subsidiaries in Mainland China are incorporated in Hong Kong and fulfil the requirements to the tax treaty arrangements between Mainland China and Hong Kong. The Group has not accrued any withholding income tax for these undistributed earnings of its subsidiaries in Mainland China as the Group is able to control the timing of distributions from subsidiaries and is not expected to distribute these profits out of Mainland China in the foreseeable future.

7 EARNINGS PER SHARE

The basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year ended December 31, 2022.

The Company did not have any potential ordinary shares outstanding during the year ended December 31, 2022 and 2021. Diluted earnings per share was equal to basic earnings per share.

	Year ended December 31	
	2022	2021
Profit attributable to owners of the Company (RMB'000)	54,121	83,885
Weighted average number of ordinary shares in issue (in thousands)	700,000	606,027
Basic and diluted earnings per share attributable to the owners of the Company during the year (expressed in RMB yuan per share)	0.08	0.14

8 PROPERTY AND EQUIPMENT

	Vehicles	Furniture and fixtures	Leasehold improvements	Office premises	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021					
Opening net book amount	701	3,422	945	4,000	9,068
Additions	48	2,918	284	-	3,250
Acquisition of subsidiaries	14	113	17	-	144
Disposals	-	(13)	-	-	(13)
Depreciation charge	(169)	(1,621)	(358)	(94)	(2,242)
Closing net book amount	594	4,819	888	3,906	10,207
As at December 31, 2021					
Cost	1,945	11,406	1,454	4,094	18,899
Accumulated depreciation	(1,351)	(6,587)	(566)	(188)	(8,692)
Net book amount	594	4,819	888	3,906	10,207
Year ended December 31, 2022					
Opening net book amount	594	4,819	888	3,906	10,207
Additions	162	3,264	3,835	-	7,261
Disposals	-	(134)	-	-	(134)
Depreciation charge	(326)	(1,759)	(1,193)	(227)	(3,505)
Closing net book amount	430	6,190	3,530	3,679	13,829
As at December 31, 2022					
Cost	2,107	14,536	5,289	4,094	26,026
Accumulated depreciation	(1,677)	(8,346)	(1,759)	(415)	(12,197)
Net book amount	430	6,190	3,530	3,679	13,829

- (a) Depreciation expenses were charged to the following categories in the consolidated statement of comprehensive income:

	Year ended December 31	
	2022	2021
	RMB'000	RMB'000
Cost of sales	2,592	1,284
Administrative expenses	844	950
Selling and marketing expenses	69	8
	3,505	2,242

- (b) No property and equipment were pledged as security for bank borrowings as at December 31, 2022 and 2021.

9 INTANGIBLE ASSETS

	Computer software	Customer relationships and backlog	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Year ended December 31, 2021				
Opening net book amount	1,450	5,593	13,819	20,862
Additions	215	-	-	215
Acquisition of subsidiaries	36	22,100	14,499	36,635
Amortisation	(635)	(959)	-	(1,594)
Closing net book amount	1,066	26,734	28,318	56,118
As at December 31, 2021				
Cost	2,993	28,300	28,318	59,611
Accumulated amortisation	(1,927)	(1,566)	-	(3,493)
Net book amount	1,066	26,734	28,318	56,118
Year ended December 31, 2022				
Opening net book amount	1,066	26,734	28,318	56,118
Additions	191	-	-	191
Amortisation	(591)	(2,800)	-	(3,391)
Closing net book amount	666	23,934	28,318	52,918
As at December 31, 2022				
Cost	3,184	28,300	28,318	59,802
Accumulated amortisation	(2,518)	(4,366)	-	(6,884)
Net book amount	666	23,934	28,318	52,918

10 PREPAYMENTS

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Prepayments		
- Prepayments to third party	73,038	66,674
Less: non-current portion of prepayments (Note (a))	(69,730)	(65,629)
Current portion of prepayments	<u>3,308</u>	<u>1,045</u>

(a) As at December 31, 2022, the non-current portion of prepayments mainly represented a prepayment of RMB65,629,000 for the acquisition of equity interest in a property management service company.

11 TRADE AND OTHER RECEIVABLES

	As at December 31	
	2022	2021
	RMB'000	RMB'000
Trade receivables (Note (a))		
- Related parties	264,844	189,168
- Third parties	225,712	131,857
	<u>490,556</u>	<u>321,025</u>
Less: allowance for impairment of trade receivables	(49,313)	(14,033)
	<u>441,243</u>	<u>306,992</u>
Other receivables		
- Amounts due from related parties	121,460	74,837
- Cash advances to non-controlling interests	230	230
- Deposits	34,028	3,565
- Cash advances to a third party	-	20,926
- Others	15,316	15,219
	<u>171,034</u>	<u>114,777</u>
Less: allowance for impairment of other receivables	(13,408)	(2,040)
	<u>157,626</u>	<u>112,737</u>
Trade and other receivables	<u>598,869</u>	<u>419,729</u>

(a) As at December 31, 2022, the ageing analysis of the trade receivables based on recognition date were as follows:

	<u>As at December 31</u>	
	<u>2022</u>	<u>2021</u>
	RMB'000	RMB'000
Up to 1 year	295,043	270,691
1 to 2 years	167,219	34,902
2 to 3 years	19,250	9,099
Over 3 years	9,044	6,333
	<u>490,556</u>	<u>321,025</u>

(b) As at December 31, 2022, trade and other receivables were denominated in RMB and the carrying amounts of trade and other receivables approximated their fair values (as at December 31, 2021: same).

12 SHARE CAPITAL

	Number of ordinary shares	Nominal value of ordinary shares	Equivalent nominal value of ordinary shares
		HK\$	RMB'000
Authorised:			
As at December 31, 2021 and 2022	1,000,000,000	10,000,000	8,370
Issued:			
As at December 31, 2021 and 2022	700,000,000	7,000,000	5,831

13 OTHER RESERVES

	Capital reserves RMB'000	Share premium RMB'000	Statutory reserve RMB'000	Foreign currency translation RMB'000	Total RMB'000
As at January 1, 2021	5,000	-	2,982	-	7,982
Issue of shares in connection with the capitalisation issue	-	(4,373)	-	-	(4,373)
Issue of shares in connection with the Company's listing	-	518,588	-	-	518,588
Currency translation differences	-	-	-	(2,606)	(2,606)
Appropriation of statutory reserves (Note (a))	-	-	5,711	-	5,711
Capital injection from shareholders of the Company	25,600	-	-	-	25,600
Deemed distribution to the then shareholder of the Group arising from the reorganisation	(5,000)	-	-	-	(5,000)
As at December 31, 2021	25,600	514,215	8,693	(2,606)	545,902
As at January 1, 2022	25,600	514,215	8,693	(2,606)	545,902
Currency translation differences	-	-	-	10,353	10,353
Appropriation of statutory reserves (Note (a))	-	-	5,195	-	5,195
Dividends to shareholders of the Company	-	(21,000)	-	-	(21,000)
As at December 31, 2022	25,600	493,215	13,888	7,747	540,450

(a) Statutory reserve

In accordance with relevant rules and regulations in the PRC, the PRC group entities are required to appropriate no less than 10% of their profit after income tax calculated under the PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase the capital of the respective the PRC Group entities.

14 TRADE AND OTHER PAYABLES

	<u>As at December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Trade payables (Note (a))		
- Related parties	248	627
- Third parties	74,243	66,113
	<u>74,491</u>	<u>66,740</u>
Other payables		
- Amounts due to related parties	13,302	21,890
- Payables for acquisition of a subsidiary	4,594	4,201
- Deposits from third parties	59,755	42,796
- Accrued payroll	38,471	40,974
- Provision for ECL allowance on financial guarantees	1,088	-
- Other tax payables	5,133	10,239
- Others	82,925	61,902
	<u>205,268</u>	<u>182,002</u>
Total	<u>279,759</u>	<u>248,742</u>
Less: non-current portion of other payables	<u>(5,747)</u>	<u>(5,450)</u>
Current portion of trade and other payables	<u>274,012</u>	<u>243,292</u>

(a) As at December 31, 2022 and 2021, ageing analysis of the trade payables (including amounts due to related parties which were trade in nature) based on invoice date were as follows:

	<u>As at December 31</u>	
	<u>2022</u>	<u>2021</u>
	<u>RMB'000</u>	<u>RMB'000</u>
Up to 1 year	70,927	65,594
1 to 2 years	2,730	929
2 to 3 years	640	82
Over 3 years	194	135
	<u>74,491</u>	<u>66,740</u>

(b) As at December 31, 2022, trade and other payables were mainly denominated in RMB and the carrying amounts of trade and other payables approximated their fair values (December 31, 2021: same).

15 DIVIDENDS

A final dividend in respect of the year ended December 31, 2022 of RMB0.057 per ordinary share have been proposed by the Board and subject to the approval of the shareholders of the Company at the annual general meeting of the Company to be held on September 6, 2023. The final dividend will be distributed out of the Company's share premium. These consolidated financial statements have not reflected these dividends payable.

A final dividend of RMB0.03 per ordinary share for the year ended December 31, 2021, totalling RMB21,000,000 were declared at the annual general meeting of the Company held on June 30, 2022 and paid in July 2022. These final dividends have been distributed out of the Company's share premium.

CHAIRMAN’S STATEMENT

We work together to overcome difficulties. In 2022, the regional outbreak of 2019 novel coronavirus disease (“COVID-19”) in China had a significant impact on the economy, society and people’s lives; the Company’s business centers in various cities in Henan Province have repeatedly experienced frequent outbreaks of epidemics; the real estate industry is in a period of deep adjustment, and the recovery is not as expected; some small and medium-sized real estate developers have shrunk their business and cut costs to ensure their survival. Faced with challenges of complex external situations, the Group stepped up its internal training, continued to improve its service, operation, organization, digital science and brand strength, and insisted on the tangibility of intangible services, namely, service standardization, standardized products, product branding and brand value. Thus, the main works carried out are as follows:

Quality service-based, standard assessment to generate income

High-quality service is the foundation of the Group’s survival. With the planned scale expansion of the Group, the three product lines of the Company’s property services, namely, residential business, non-residential business and city services, have been formed respectively, matching clear and definite hierarchical service positioning and service standards, laying a solid foundation for the strategic layout planning of the Company. The industrial sector focuses on the asset operation and product premium of “big owners”, solves the product planning and sales of their new houses, parking spaces and shops, and improves their product premium ability through sales office management services, pre-delivery services, consultancy services and technological services; the asset management and community life of “small owners” is committed to improving the needs of owners for a better life, providing second-hand housing rental and sales, asset custody and loan business, and also meeting the needs of different owners through group purchase of explosive products, household decoration, chain food, smart parking and smart charging. Under the Group’s overall business performance objectives, all major product lines are customer-oriented, operate independently in the market, mutually integrate internal and external resources, standardize service under standardized management, put quality service first, and eliminate losses through digital assessment.

Scale expansion to increase efficiency, hand in hand to develop and expand

Quality development is the goal of the Group. In this Year, the Group strengthened its operational capacity and strategically expanded its market-oriented scale. The Group focused on three directions: urban deep cultivation, commercial deep cultivation and deep cultivation in the surrounding areas of the project under management, and focused on the projects to be delivered in the near future. Through the effective performance incentive system and the signing of the target responsibility letter, all employees were encouraged to work together to expand. In this Year, in addition to the residential business, we also made achievements in non-residential business such as industrial parks, universities, office buildings and city services such as rail transit and sanitation; for example, the signing of Rail Transit Line 1, Suburban Railway Phase I and Phase II, Fugou Environmental Sanitation, etc. As of December 31, 2022, Zhengzhou’s under management scale has exceeded 15 million sq.m. In addition, the high-quality service has been widely praised and recognized by the cooperative property developers, and the service industry chain has been extended to the front end of the product development of the third-party property developers, so as to realize the third-party project management of

pre-delivery, sales office and project life cycle services.

Team building and cohesion, unified thinking and dream building

In this Year, the Group focused on four directions: organizational efficiency improvement, talent development, safety precautions and corporate culture:

By adjusting the organizational structure and optimizing the management and control mode, we have built an efficient and agile organization, reduced costs and increased efficiency through scientific and technological hardware and software investment, and constantly improved per capita efficiency. Compared with the data of the same period in 2021, the per capita management area, per capita net profit and personnel cost rate have significantly increased.

Build internal and external talent supply and development chains in view of business objectives, and promote the full cycle management of talents. Through the capacity building and echelon training system of Kangqiao school, the Group improved the professional and management ability of internal talents. Completed the development of 113 front-line service standard operation process courses, the Group helped the implementation of standards, and constantly improved the proportion of internal talent training through the improvement of the five-level talent training system. In 2022, the proportion of internal talent training has reached 68%.

Employees are the cornerstone of the development of the enterprise. Through risk source sorting and troubleshooting, the list of risk sources and safety operation training plan are formulated, pre-control is strengthened, and safety production monthly activities are regularly carried out to make sure safety awareness deeply rooted in the hearts of the people and the scale of safety behavior effectively implemented.

Sort out and release the list of the Group's corporate culture activities in 2022, carry out three-level corporate culture activities at the Group, theater and project levels, and strengthen the Group's four themes of learning culture, family culture, campaign culture and role model culture. Let the core values of the enterprise be deeply rooted in the hearts, let the employees have a sense of security, unity and cohesion, and make the enterprise to built and to last.

Technology makes perception, standardization improves efficiency

Intelligent technology is a pragmatic development direction of the Group, based on meeting the needs of owners and improving employee efficiency.

In 2022, the Digital Science Center focused on the strategic development requirements of the Group's four modernizations and five forces, combined with the core pain points and frontline demands in the business side work process, and after several months of in-depth research, analysis, design, and construction, comprehensively constructed a "industry finance integration" digital technology support system, providing more intelligent and refined management of business management and cost control, thereby laying a solid foundation for the digital transformation of joylife, meet the overall business scale and support needs of the Group in the next five years.

Fulfilling corporate social responsibility, making safety services as a priority

The Group gives full play to the leading role of Party building of grass-roots Party organization,

fulfills corporate social responsibility, makes safety services as a priority, ensures the safety of owners, employees and projects, with the help of smart technology, constantly explores and innovates the new co-management model of “Party building + community + property management”, actively participates in the management of property and municipal public services in buildings without owners, forms a new pattern of property services with joint construction, governance and management through consultation, and continues to actively make contributions to improving the people’s happiness index. Red Colour Ling Li Hui (紅色鄰禮匯) has been selected and upgraded based on the “Four Seasons and One Hall (四季一堂)” of the Group’s Ling Li Hui (鄰禮匯), it has held the "Voluntary Epidemic Prevention and Control" activity, the "Smart Helping the Elderly and activity, and the "Celebrating the New Journey of the Twentieth National Congress of the Communist Party of China, Joyful Celebrating the Mid-Autumn Festival and Joining Hands for Kindness" activity, aiming at delivering the voice of the Central Communist Party, spreading positive energy, calling for charity and public welfare, carrying forward the traditional virtues of the Chinese nation, creating red cultural atmosphere in neighborhoods and developing the neighborhoods culture of caring “Family-and-Country”.

Our original aspiration will never change, without fear of new direction. In the future, under the guidance of the grand service strategy, the Group will continue to lead the lifestyle change with high-quality service, help the industrial development with smart technology, promote management upgrading and service innovation, complete the building of core competitiveness, resist the changing macro environment with the unchanged service, and establish a century-old enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(1) Business Overview

2022 was an important year in the five-year development of the Group. As a listed property enterprise, Kangqiao Service continues to (i) provide high-quality services of “Satisfaction + Refinement” for property owners in this extraordinary year; (ii) fulfill its commitment to the shareholders of the Company (the “**Shareholders**”) with stable business performance; and (iii) be responsible for the employees, so that the employees, with a sense of belonging and security, can devote themselves to work, and provide continuous and satisfactory services to the property owners.

At present, the Group’s business covers a variety of property types, including residential property, non-residential property (such as commercial, office buildings, industrial parks, hospitals and other public infrastructure), and provision of city services (such as rail transit sanitation, city environmental sanitation and other services). The Group’s business involves property management services, value-added services to non-property owners and community value-added services. All business areas are interconnected and market-oriented for balanced development. In 2022, the Group’s revenue was approximately RMB792.9 million, representing an increase of 1.2% as compared to approximately RMB783.6 million for the corresponding period in 2021. Profit for the Year was approximately RMB65.7 million, representing a decrease of 25.8% as compared to that of approximately RMB88.6 million for 2021. Profit for the Year attributable to the owners of the Company was approximately RMB54.1 million, representing a decrease of approximately 35.5% as compared to that of RMB83.9 million for 2021.

As of December 31, 2022, the Group provided property management services, value-added services or city services in 31 cities in the PRC, with 234 projects under management and a contracted gross floor area (the “GFA”) of approximately 63.3 million sq.m., representing an increase of 19.2% as compared to approximately 53.1 million sq.m. for 2021, among which approximately 51.0 million sq.m. or 80.6% were from third party property developers. The GFA under management was approximately 31.9 million sq.m., representing an increase of 35.9% as compared to approximately 23.5 million sq.m. for 2021, among which approximately 25.1 million sq.m. or 78.7% were from third party property developers. The GFA under management of non-residential properties was approximately 4.2 million sq.m., representing an increase of 104.3% as compared to approximately 2.0 million sq.m. for the corresponding period in 2021, among which approximately 98.5% of non-residential properties were from third party property developers.

Since the beginning of 2022, the international situation has been complex and grim, and the world economic growth has slowed down significantly. The COVID-19 fluctuated globally, posing an unprecedented challenge to the global economy. The Group, in conjunction with the effective implementation of the national prevention and control policies in the community, continued to pay attention to the situation of COVID-19 to ensure the safety of the lives and properties of property owners and its employees, maintained sufficient inventory for prevention and control of the epidemic and business defense, and actively safeguarded the financial position and operating results of the Group against the impact of COVID-19. The Board considered that COVID-19 did not have any material adverse impact on the financial position and operating results of the Group.

(2) Four Major Business Lines

The Group is a reputable comprehensive property management services provider in the PRC, with a leading position in Henan. In April 2022, the Group was awarded the title of “2022 China Top 100 Property Management Companies” by China Index Academy, with its overall industry strength ranking increased by eight places to 29th as compared with the year of 2021. The Group generates its revenue mainly from four business lines: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) city services.

Property management services

The Group provides property owners, property developers, residents of residential properties as well as tenants in non-residential properties with a wide range of property management services, which typically include security, cleaning, greening, gardening, repairs and maintenance services. The Group’s portfolio of properties under management comprises of residential properties and non-residential properties, such as commercial properties, office buildings, industrial parks, hospitals and other public infrastructure. The Group’s business has been effectively improved in 2022, especially in terms of increase in the GFA under management of non-residential properties of the Group by approximately 104.3% as compared to the corresponding period in 2021. Revenue from property management services was approximately RMB480.9 million, accounting for 60.7% of the total revenue, representing an increase of 37.1% as compared to 2021.

Value-added services to non-property owners

The Group provides value-added services to non-property owners, primarily major customers like property developers, mainly consisting of (i) sales office management services to property developers' sales offices and show flats, such as visitor reception, cleaning and security services; (ii) pre-delivery services that the Group offers to property developers at different stages before the delivery of properties from the perspective of property owners and future property management services, primarily including optimization of construction blueprints at the drawing design stage, quality control during the construction process, measurement and inspection of completed units prior to delivery; (iii) sales agency services in which the Group mainly facilitates property developers in selling their first-hand properties prior to property delivery; (iv) construction site management services in which the Group provides daily security services to constructors and property developers, such as video surveillance, emergency response, access control and visitor management; and (v) consultancy services for property developers and property management companies in relation to sales and management of projects. Revenue from value-added services to non-property owners of the Group was approximately RMB151.5 million, representing a decrease of approximately 51.4% as compared to approximately RMB311.9 million for 2021. The decrease in revenue from value-added services to non-property owners was due to the shrinking of real estate business under the influence of policies.

Community value-added services

The Group also provides a comprehensive range of community value-added services to property owners and residents to improve their living experiences and to preserve and increase the value of their assets. These services primarily include (i) home-living services, such as housekeeping and cleaning services, home maintenance services, decoration and move-in furnishing services and shopping services; (ii) community operation services with respect to managing community spaces and optimizing the utilization of public resources, such as assist third-party vendors in seeking suitable places to operate or promote their businesses, facilitating their promotional events, daily cleaning and equipment maintenance; and (iii) asset operation services, primarily including property agency services with respect to second-hand properties and unsold parking spaces after property delivery, as well as rental service in relation to parking spaces and shop spaces. Revenue from community value-added services provided by the Group was approximately RMB134.0 million, representing an increase of 10.8% as compared to that of approximately RMB120.9 million for 2021, which was mainly attributable to the increase of the GFA under management and service users as well as the increasing diversification of types of lifestyle services business.

City services

The Group can also provide the city with a wide range of city services, which mainly include (i) rail transit sanitation services; (ii) city environmental sanitation; (iii) waste sorting and treatment; (iv) installation of road facilities; (v) landscaping project; (vi) old communities renovation; and (vii) setting up smart block construction, etc. The

Group's revenue from the city services was approximately RMB26.5 million, accounting for 3.3% of the total revenue.

II. OUTLOOK AND STRATEGY

The Group is committed to becoming a better life and smart city service provider, and has always adhered to the original intention of providing customers with “Satisfaction + Surprise” and worked hard to move forward. According to the Group's strategy for the next five years, the Group shall continue to improve its product strength, organizational strength, operational strength, digital science strength and brand strength to ensure service standardization, product standardization, product branding and brand value. The Group shall adhere to the bottom line of safety in projects, the property owner and the employees, the bottom line of providing services with quality corresponding to price and of providing the best price, the bottom line of standardization of service products, the bottom line of the performance of employees and the bottom line of business performance. Efforts will be made to expand the non-residential property and city services product lines horizontally, and gradually realize the three pillars of “Joyful Living” (悦生活) (for residential properties), “Joyful Commercial Property Management” (悦商管) (for non-residential properties) and “Joyful City Services” (悦城服) (for city service). The vertical industry sector will be deeply cultivated and incubated, and realize the service ecology with the characteristics of the Group with people as the core.

Under the clear strategic layout of the Group, it will be able to continue to increase its market capitalization by rapidly expanding its scale, securing contracted GFA as well as expanding the portion of the GFA from third party property developers, the portion of non-residential properties and the scale of city services, and thereby calmly responding to the intensive competition in the capital market and generating returns to the Shareholders, customers and employees of the Company.

III. FINANCIAL REVIEW

Revenue

The Group's revenue was mainly generated from four major businesses: (i) property management services; (ii) value-added services to non-property owners; (iii) community value-added services; and (iv) city services. During the Year, the Group's total revenue was approximately RMB792.9 million, representing an increase of 1.2% as compared to approximately RMB783.6 million for 2021.

The following table sets out the revenue contribution of each business line for the years indicated:

	Year ended December 31,			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Property management services	480,918	60.7	350,767	44.8
Value-added services to non-property owners	151,527	19.1	311,935	39.8
Community value-added services	133,970	16.9	120,865	15.4
City services	26,505	3.3	–	–
Total	792,920	100.0	783,567	100.0

Property management services

During the Year, the Group's revenue from the provision of property management services amounted to approximately RMB480.9 million, representing an increase of 37.1% as compared to approximately RMB350.8 million for 2021, which was mainly attributable to the rapid increase in the total GFA under management as a result of the Group's business expansion.

Value-added services to non-property owners

During the Year, the Group's revenue from the provision of value-added services to non-property owners amounted to approximately RMB151.5 million, representing a decrease of 51.4% as compared to approximately RMB311.9 million for 2021. The decrease in revenue from value-added services to non-property owners was due to the shrinking of real estate business under the influence of policies.

Community value-added services

During the Year, the Group's revenue from the provision of community value-added services amounted to approximately RMB134.0 million, representing an increase of 10.8% as compared to approximately RMB120.9 million for 2021, which was mainly attributable to the increase in the area under management and service users as well as the increasing diversification of the types of lifestyle services business.

City services

During the Year, the Group's revenue from the city services amounted to approximately RMB26.5 million.

Cost of sales

The Group's cost of sales primarily consists of employee benefit expenses, greening and cleaning expenses, utilities, maintenance and customer service costs, security service costs, sales agency service costs, office expenses, rental expenses related to short-term leases, travelling and entertainment expenses, depreciation and amortisation charges and others.

During the Year, the Group's cost of sales was approximately RMB601.9 million, representing an increase of approximately 3.8% as compared to approximately RMB579.7 million for 2021. The increase in cost of sales was mainly due to the rapid growth of the Group's business scale.

Gross profit and gross profit margin

The following table sets out the Group's gross profit and gross profit margin by business line for the years indicated:

	Year ended December 31,			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
Property management services	78,278	16.3	55,815	15.9
Value-added services to non-property owners	49,947	33.0	109,862	35.2
Community value-added services	58,879	44.0	38,175	31.6
City services	3,965	15.0	—	—
Total	191,068	24.1	203,852	26.0

During the Year, the Group's gross profit margin was approximately 24.1%, representing a decrease of 1.9 percentage points as compared to 26.0% for 2021, mainly due to the lower gross profit margin of value-added services to non-property owners and the relatively low gross profit margin of city services.

The gross profit margin of property management services was 16.3%, representing an increase from 15.9% for 2021, which was mainly because of the decrease in energy consumption and labor cost of facilities and equipment through scientific and technological means, and the scale effect brought by the Company's focus on cities, property portfolios and the scale effect.

The gross profit margin of value-added services to non-property owners was 33.0%, representing a decrease from 35.2% for 2021, which was mainly due to the decrease in sales of commercial housing affected by the real estate policy and the decrease in the number of new buildings, resulting in a decrease in the gross profit of sales agency and pre-delivery services.

The gross profit margin of community value-added services was 44.0%, representing an increase from 31.6% for 2021, which was mainly due to the improvement of the business capacity for the sale of community merchandise and effective cost control. On the other hand, the development of cleaning business at the pre-delivery stage allows for the repeated deployment of staff and hence saving costs.

Other income

During the Year, the Group's other income amounted to approximately RMB9.7 million, representing an increase of 13.8% as compared to approximately RMB8.5 million for 2021. The increase was mainly due to the receipt of government subsidies.

Selling and marketing expenses

During the Year, the Group's selling and marketing expenses amounted to approximately RMB12.6 million, representing a decrease of 17.8% as compared to approximately RMB15.3 million for 2021. The decrease in selling and marketing expenses was mainly due to the Group's cost control and focus on expanding business on low-cost projects.

Administrative expenses

During the Year, the Group's administrative expenses amounted to approximately RMB53.0 million, representing a decrease of 14.0% as compared to approximately RMB61.7 million for 2021, mainly due to the one-off listing expenses of the Group incurred in 2021, and the implementation of cost control measures for the enhancement of the Group's operational efficiency.

Credit impairment losses

During the Year, the Group's credit impairment losses was approximately RMB 47.7 million, representing an increase of 629.7% as compared to approximately RMB6.5 million in 2021. The increase was mainly due to the impact of the overall downturn in the real estate market, which slowed down the Company's collection of trade and other receivables from related parties. The overall downturn in the real estate market also led to an increase in the expected credit loss rate of the real estate industry, resulting in a significant increase in provision for expected credit loss on receivables from related parties for the Year as compared to 2021.

Income tax expenses

During the Year, the Group's income tax expenses amounted to approximately RMB17.3 million, representing a decrease of 45.2% as compared to approximately RMB31.6 million for 2021. The decrease in income tax expenses was mainly due to the reduction in national tax preference and profit before tax.

Profit for the Year

Profit for the Year was approximately RMB65.7 million, representing a decrease of approximately 25.8% as compared to that of approximately RMB88.6 million for 2021. Profit for the Year attributable to the owners of the Company was approximately RMB54.1 million, representing a decrease of approximately 35.5% as compared to that of approximately RMB83.9 million for 2021.

Liquidity, reserves and capital structure

The Group maintained a strong financial position during the Year. As at December 31, 2022, the current assets amounted to approximately RMB1,003.0 million, representing an increase of approximately 2.0% as compared to that of approximately RMB983.7 million for 2021. As at December 31, 2022, the Group's cash and cash equivalents were mostly denominated in RMB and amounted to approximately RMB345.9 million, representing a decrease of approximately 36.0% from approximately RMB540.8 million as at December 31, 2021, mainly due to the payment of the refundable deposits for the sales agency services. The Group's current ratio (current assets divided by current liabilities) as at December 31, 2022 was approximately 2.6, representing an increase of 5.6% from approximately 2.4 as at December 31, 2021. The asset-liability ratio (total liabilities divided by total assets) as at December 31, 2022 was 35.3%, representing a decrease of 38.2% from 2.9% as at December 31, 2021.

As at December 31, 2022, the Group did not have any bank borrowings and the gearing ratio (total borrowings divided by total equity) was nil.

The Group actively reviews and manages its capital structure on a regular basis and strikes a balance between retaining higher returns for the Group's owners and the possible high level of borrowing, while maintaining the advantages and security of a strong capital position and adjusting the capital structure in response to changes in economic conditions.

Trade and other receivables

As at December 31, 2022, trade and other receivables amounted to approximately RMB598.9 million, representing an increase of 42.7% from approximately RMB419.7 million as at December 31, 2021, which was mainly due to the slow recovery of the Group's trade and other receivables due to the impact of COVID-19.

Trade and other payables

As at December 31, 2022, trade and other payables amounted to approximately RMB279.8 million, representing an increase of 12.5% from approximately RMB248.7 million as at December 31, 2021. This was mainly attributable to the Group's optimization in settlement of trade and other payables.

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.

Pledge of assets

As at December 31, 2022, the Group has provided the following guarantees:

1. In December 2021, Henan Kangqiao Yueshenghuo, a wholly-owned subsidiary of the Group, provided the Property Development Guarantee in favour of China Huarong Asset Management Co., Ltd. Henan Branch (中國華融資產管理股份有限公司河南省分公司) (“**Huarong**”) for the financing arrangement of a related party of the Company, the Kangqiao Property Development Group. The financing arrangement of the Kangqiao Property Development Group was for an amount of approximately RMB388.3 million as at December 31, 2022. On March 31, 2023, Huarong issued a statement of discharge of guarantee to Henan Kangqiao Yueshenghuo, thereby voluntarily discharging all obligations of Henan Kangqiao Yueshenghuo under the Property Development Guarantee, and relinquishing any right to enforcement actions Huarong may have under the Property Development Guarantee.

2. The Group completed the acquisition of 51% of the equity interests in Dingfeng Property in October 2021 (the “**Dingfeng Acquisition**”). Unbeknownst to the Group at the time of the Dingfeng Acquisition, Dingfeng Property had entered into the Dingfeng-Yuanxuan Guarantee, jointly guaranteeing with other guarantors certain cash payment obligation and the performance of the redemption obligation of Henan Ruipeng Biotechnology Co., Ltd. (河南瑞鵬生物科技有限公司) (“**Henan Ruipeng**”) and Guan Xiaoyan (關曉彥), which arose from certain investment agreements between Henan Ruipeng, Guan Xiaoyan (關曉彥) and Tibet Yuteng Enterprise Management Co., Ltd. (西藏裕騰企業管理有限公司) (“**Tibet Yuteng**”), among other parties (the “**Investment Agreements**”). Due to the non-performance of the obligations by Henan Ruipeng, upon the application by Tibet Yuteng, the Zhengzhou Intermediate People's Court issued a freezing order on August 8, 2022 against the relevant guarantors including Dingfeng Property, freezing each guarantor's bank deposit for up to RMB186,224,556. Approximately RMB4.8 million in Dingfeng Property's bank account was frozen as at December 31, 2022.

On January 9, 2023, Tibet Yuteng reached a settlement agreement with certain parties under the Investment Agreements. It should be noted that Dingfeng Property was not named as a party to the settlement agreement. On January 16, 2023, Tibet Yuteng voluntarily withdrew its claim against Dingfeng Property. On January 31, 2023, the freezing order on the Frozen Bank Account has been lifted.

3. In May 2020, Dingfeng Property has provided a guarantee (the “**Dingfeng-Pingdingshan Guarantee**”) for the loan repayment obligation of Pingdingshan Yufu Trading Co., Ltd. (平頂山市裕富商貿有限公司) (“**Yufu Trading**”), in favour of Henan Wugang Rural Commercial Bank

Co., Ltd. (河南舞鋼農村商業銀行股份有限公司) (“**Wugang Rural Commercial Bank**”). The loan amount was RMB30,000,000. The loan was also secured by third parties' pledging of assets valued at around RMB18,000,000. As a measure to shield the Group against any loss as a result of the Dingfeng-Pingdingshan Guarantee, under the agreement for the Dingfeng Acquisition, the Group would be entitled to acquire at no additional cost the remaining 49% equity interest in Dingfeng Property to cover any losses as a result the Dingfeng-Pingdingshan Guarantee. Due to the default of Yufu Trading, the bank accounts of Dingfeng Property were frozen by the court on February 9, 2023. On July 28, 2023, the frozen bank deposits of approximately RMB11.1 million was enforced.

The Company has engaged Avista Business Consulting (Shanghai) Co., Ltd. (the “**Valuer**”), an independent professional valuer engaged by the Group, to assess the expected credit loss (the “**ECL**”) for the financial guarantees of the Group for the year ended December 31, 2022. The ECL associated with the Property Development Guarantee, the Dingfeng-Yuanxuan Guarantee and the Dingfeng-Pingdingshan Guarantee for the year ended December 31, 2022 is RMB812,000, RMB276,000 and nil, respectively.

Contingent liabilities

As at December 31, 2022, the Group did not have any material contingent liabilities and capital commitments.

Material acquisitions and disposals

On September 30, 2021, the Group, Xi'an Lifeng Property Management Co., Ltd. (西安立豐物業管理有限公司) (“**Xi'an Lifeng Property**”), the then existing shareholders of Xi'an Lifeng Property and Yan Ming (the ultimate beneficial owner of Xi'an Lifeng Property, as the guarantor) entered into an investment agreement, pursuant to which the Group agreed to acquire 80% of the equity interest in Xi'an Lifeng Property by equity transfer from its existing shareholders (the “**Investment**”). The total consideration for the Investment is RMB164.07 million. As of December 31, 2022, the amount of the Investment paid by the Group was approximately RMB65.6 million, and the acquisition was completed as of the date of this announcement.

Upon completion of the Investment, Xi'an Lifeng Property will become a subsidiary of the Group. The Investment constituted a discloseable transaction of the Company under Chapter 14 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”). For details of the Investment, please refer to the announcements of the Company dated September 30, 2021 and November 12, 2021, respectively.

Save as disclosed above, there are no other major investments, material acquisitions or disposals of subsidiaries, associates and joint ventures held as at December 31, 2022, nor are there any plans for other significant investments or additions to capital assets as authorized by the Board.

Significant investments

During the Year, the Group did not hold any significant investments.

Future plans for major investments

The Group intends to utilize part of the net proceeds raised from the global offering to acquire property management companies and professional service companies, and to cooperate with local municipal investment companies or local property developers through capital injection or forming joint ventures according to the prospectus of the Company dated June 29, 2021 (the “**Prospectus**”). As at the date of this announcement, the Group does not have any other material plans to invest in the future.

Supplemental sales agency services framework agreement

As disclosed in the Prospectus, the Group and Beijing Kangqiao Tongdao Shenghe Consulting Group Co., Ltd. (“**Beijing Tongdao**”) (for itself and on behalf of its subsidiaries and associates) (collectively, “**Beijing Tongdao Group**”) entered into the sales agency services framework agreement on June 17, 2021, pursuant to which the Group agreed to provide the sales agency services to the Beijing Tongdao Group, being sales agency services for first-hand properties and unsold parking spaces, including but not limited to consulting services and sales events organization services, on an exclusive and sole basis for some of the property projects developed by the Beijing Tongdao Group.

On April 21, 2022, the Company and Beijing Tongdao entered into the supplemental sales agency services framework agreement, pursuant to which members of the Group shall pay to members of the Beijing Tongdao Group the refundable deposits in connection with the sales agency services contemplated under the sales agency services framework agreement. At the annual general meeting of the Company held on June 30, 2022, the independent Shareholders approved the entering into of the supplemental sales agency services framework agreement.

Beijing Tongdao is beneficially and wholly owned by Mr. SONG Gewei, the ultimate controlling Shareholder. Therefore, Beijing Tongdao is a connected person of the Company under Chapter 14A of the Listing Rules, and the transactions contemplated under the supplemental sales agency services framework agreement constitutes continuing connected transactions of the Company. For details of the supplemental sales agency services framework agreement, please refer to the announcement of the Company dated April 21, 2022 and the circular of the Company dated June 16, 2022.

Significant events after the end of the reporting period

On March 30, 2023, the audit committee of the Company (the “**Audit Committee**”) received the Auditor's Letter. The Auditor's Letter identified that two guarantees were omitted from the list of the Group's guarantee obligations in favour of external parties provided by the Company to the Auditor. Please refer to the announcement of the Company dated April 18, 2023 for the key content of the Auditor's Letter.

As additional time was required by the Company to conduct an independent investigation and by the Auditor to complete the audit process in respect of the 2022 Annual Results, the Company was unable to announce its audited 2022 Annual Results by the deadline prescribed

by the Listing Rules. The trading of the Company's shares on the Stock Exchange was suspended with effect from April 3, 2023.

As disclosed in the Announcements, an independent committee comprising all the independent non-executive Directors was established by the Audit Committee. Grant Thornton Advisory Services Limited (the "**Independent Investigator**") has been appointed to conduct an independent investigation on the issues raised by the Auditor, and SHINEWING Risk Services Limited (the "**IC Consultant**") has been appointed to conduct an independent internal control review on the Group's management of related party transactions and the provision of guarantees, and a follow-up review of the remedial measures implemented by the Group to address the internal control issues raised in the Independent Investigation Report (as defined below).

The Company has also engaged the Valuer to assess the ECL of the financial guarantees of the Group for the year ended December 31, 2022. Please refer to "III. FINANCIAL REVIEW - Pledge of assets" above for the assessment of the Valuer.

As of the date of this announcement, the Independent Investigator has issued its report of findings of its investigation to the Independent Committee (the "**Independent Investigation Report**"). The Independent Committee has accepted the conclusion of the Independent Investigation Report and concluded that the omission of the Property Development Guarantee and the Dingfeng-Yuanxuan Guarantee from the list of the Group's guarantee obligations in favour of external parties provided by the Group to the Auditor was due to internal control weaknesses of the Group and no other guarantees in accordance with the Independent Investigation Report by Independent Investigator were identified. The Company will make further announcement(s) shortly to update the Shareholders and potential investors of the Company regarding the key findings of the Independent Investigation Report.

The IC Consultant has also issued its report of its findings and recommendations (the "**Internal Control Report**"). The Company has adopted all the recommendations of the IC Consultant. In the follow-up review conducted by the IC Consultant, the Company has implemented adequate measures to address the internal control weaknesses identified in the Independent Investigation Report. No further material deficiencies were identified by the IC Consultant.

The Board has reviewed the content and the findings of the Independent Investigation Report and the Internal Control Report. Having considered the recommendations of the IC Consultant, the Board is of the view that the remedial and rectification measures implemented by the Group are sufficient to address the internal control weaknesses identified in the Independent Investigation Report and the Internal Control Report.

Employee and remuneration policy

As at December 31, 2022, the Group had a total of 1,831 employees (December 31, 2021: 1,857).

During the Year, the total remuneration cost incurred, including Director's remuneration, was RMB177.3 million (year ended December 31, 2021: RMB191.9 million).

The Group has a well-established recruitment and internal promotion system in place and strives to hire talented employees by offering competitive wages, bonuses, benefits, systematic training opportunities and internal promotions. The Group hires employees through a combination of online recruitment, job fairs, campus recruitment and referrals. To provide employees with fair competition opportunities, in addition to external recruitment, selections for management positions are open to all employees for their application.

The Group offers employee with benefits such as housing allowances, cultural and social events, as well as holiday and birthday gifts. The Group is also committed to embracing diversity within the Group's organization and treating all of the Group's employees with equality and respect in recruitment, training, wellness, as well as professional and personal development. While maximizing equal career opportunities for everyone, the Group will continue to promote work-life balance and create a culture of fun for all employees in the Group's workplace and pantry.

USE OF PROCEEDS FROM THE GLOBAL OFFERING

The Company was listed on the Main Board of the Stock Exchange on July 16, 2021, being the Listing Date, and the total net proceeds from the global offering, after deduction of the listing expenses, amounted to approximately HK\$628.9 million.

Proceeds from the global offering are and will continue to be applied in accordance with the plans disclosed in the section headed “Future Plans and Use of Proceeds” in the Prospectus. The following table sets forth the status of use of net proceeds from the global offering as at December 31, 2022:

Purposes	Percentage of total amount	Net proceeds as disclosed in the Prospectus	Unutilised amount as at December 31, 2021	Actual use of proceeds during the Year	Unutilised amount as at December 31, 2022	Expected timeline for the use of proceeds
	(approximate)	(HK\$ million)	(HK\$ million)	(HK\$ million)	(HK\$ million)	
Pursue selective strategic investment and acquisition opportunities to further develop strategic cooperation and expand our business scale	65%	408.8	326.6	3.7	322.9	By December 2024
Invest in our intelligent operational and internal management systems to improve service quality and customer experience	10%	62.9	57.4	9.0	48.4	By December 2024
Enrich and expand our service and product offerings to develop our diverse business line	15%	94.3	82.0	26.0	56.0	By December 2024
Working capital and other general corporate purposes	10%	62.9	48.7	12.8	35.9	By December 2024
Total	100%	628.9	514.7	51.5	463.2	

As at December 31, 2022 and up to the date of this announcement, the proceeds were deposited in short-term interest-bearing bank accounts with domestic and overseas licensed financial institutions.

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

During the Year, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

CORPORATE GOVERNANCE PRACTICES

The Group is committed to maintaining a high standard of corporate governance to safeguard the interests of Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**CG Code**”) as set out in Appendix 14 of the Listing Rules as its code of governance. During the Year, in the opinion of the Board, save as the code provisions of the CG Code disclosed below, the Company has complied with all applicable code provisions under the CG Code.

Under Code Provision D.1.2 of the CG Code, management should provide all members of the board with monthly updates giving a balanced and understandable assessment of the issuer’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.

During the Year, while the Company has a monthly reporting system with updates on overall monthly performance and operations, the monthly reports did not include information on the provision of guarantee to external parties, material litigations and contingent liabilities.

As a rectification measure, the management of each subsidiary of the Company shall submit to the Board monthly reports on the performance and operations of each subsidiary of the Company, covering areas including but not limited to the provision of guarantees and security, litigations and contingent liabilities. The Board shall review and provided feedback to the management of each subsidiary of the company.

Under Code Provision D.2.1 of the CG Code, the board should oversee the issuer's risk management and internal control systems on an ongoing basis, ensure that a review of the effectiveness of the issuer's and their subsidiaries' risk management and internal control systems has been conducted at least annually and report to shareholders that it has done so in its Corporate Governance Report. The review should cover all material controls, including financial, operational and compliance controls.

The Independent Investigator and IC Consultant have identified the weaknesses in the Group's internal control during its review. As of the date of this announcement, the Company has adopted all the recommendations from the IC Consultant. Please refer to "Significant events after the end of the reporting period" in this announcement for details.

The Company will continue to review and monitor its corporate governance practices to ensure compliance with the CG Code.

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 of the Listing Rules as the code for dealing in the securities of the Group by the Directors. After specific enquiries made to all Directors, each of the Directors has confirmed their compliance with the required standard set out in the Model Code throughout the Year.

DIVIDENDS

The Board recommends the payment of a final dividend of RMB0.057 per share for the year ended December 31, 2022. The final dividend is subject to approval from the Shareholders at the annual general meeting (the “**AGM**”) to be held on September 6, 2023 and will be expected to be paid on September 27, 2023 to the Shareholders whose names appear on the register of members of the Company on September 15, 2023.

CLOSURE OF THE REGISTER OF MEMBERS

(i) To attend and vote at the AGM

The register of members of the Company will be closed from September 1, 2023 to September 6, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to attend the AGM. In order to be eligible to attend the AGM, all properly completed transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on August 31, 2023.

(ii) To qualify for the final dividend

The register of members of the Company will be closed from September 12, 2023 to September 15, 2023, both days inclusive, in order to determine the identity of the Shareholders who are entitled to receive the final dividend. In order to be eligible to receive the final dividend, all properly completed transfer forms for shares accompanied by the relevant share certificates must be lodged with the Company’s branch share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration before 4:30 p.m. on September 11, 2023.

AUDIT COMMITTEE

The Board has established the Audit Committee which consisted of one non-executive Director, namely Mr. SONG Gewei; and two independent non-executive Directors, namely Mr. WONG Yun Pun and Dr. FAN Yun. The Audit Committee is chaired by Mr. WONG Yun Pun. Mr. WONG Yun Pun is an independent non-executive Director possessing appropriate professional accounting and related financial management expertise. The primary duties of the Audit Committee are to review the financial information of the Company, and supervise the financial reporting system, risk management and internal control process of the Company.

The Audit Committee has reviewed and agreed the annual results of the Group for the year ended December 31, 2022 together with the Board and considered that such results have been prepared in accordance with applicable accounting standards and requirements with sufficient disclosure.

SCOPE OF WORK FOR ANNUAL RESULTS ANNOUNCEMENT BY AUDITOR

The figures in respect of the Group's consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended December 31, 2022 as set out in the preliminary announcement have been agreed by the Auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

PUBLICATION OF AUDITED ANNUAL RESULTS AND 2022 ANNUAL REPORT

This audited annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.kqysh.com.cn). The annual report of the Company for the year ended December 31, 2022 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on April 3, 2023 and will continue to be suspended, pending the fulfilment of the Resumption Guidance and the grant of approval of the Stock Exchange for the resumption of trading of the shares.

Shareholders and potential investors of the Company should exercise caution when dealing in the securities of the Company.

By order of the Board
Kangqiao Service Group Limited
SONG Gewei
Chairman

Hong Kong, July 28, 2023

As at the date of this announcement, the Board comprises Mr. SONG Gewei as the chairman and non-executive Director; Mr. DAI Wei, Mr. KANG Weiguo and Ms. WANG Na as the executive Directors; and Dr. LI Haitao, Dr. FAN Yun and Mr. WONG Yun Pun as the independent non-executive Directors.

* *The English name of the related parties represents the best effort by the management of the Group in translating their Chinese names as they do not have an official English name.*