康橋悅生活
KANGQIAO SERVICE GROUP

Kangqiao Service Group Limited
康橋悅生活集團有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 2205)

ANNOUNCEMENT OF AUDITED ANNUAL RESULTS FOR THE YEAR ENDED DECEMBER 31, 2023 AND PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

FINANCIAL HIGHLIGHTS FOR THE YEAR

1. Revenue for the Year (as defined below) was approximately RMB934.0 million, representing an increase of 17.8% compared with 2022.
2. Revenue by business lines for the Year was as follows:

   (1) revenue from property management services was approximately RMB594.1 million, accounting for 63.6% of the total revenue, representing an increase of 23.5% compared with 2022;

   (2) revenue from value-added services to non-property owners was approximately RMB138.4 million, accounting for 14.8% of the total revenue, representing a decrease of 8.7% compared with 2022;

   (3) revenue from community value-added services was approximately RMB136.6 million, accounting for 14.6% of the total revenue, representing an increase of 1.9% compared with 2022; and

   (4) revenue from city services was approximately RMB64.9 million, accounting for 7.0% of the total revenue, representing an increase of 145.1% compared with 2022.

3. Gross profit for the Year was approximately RMB220.7 million, representing an increase of approximately 15.5% compared with 2022. Gross profit margin was 23.6%, representing a decrease of 0.5% as compared to that of 24.1% for 2022.

FINANCIAL HIGHLIGHTS FOR THE YEAR

4. Profit for the Year was approximately RMB52.6 million, representing a decrease of approximately 20.0% as compared to that of approximately RMB65.7 million for 2022. Profit for the Year attributable to the owners of the Company was approximately RMB38.5 million, representing a decrease of approximately 28.9% as compared to that of approximately RMB54.1 million for 2022.

5. The contracted GFA (as defined below) in respect of property management services for the Year was approximately 67.1 million sq.m., representing a growth of 6.0% compared with 2022, among which approximately 54.6 million sq.m. or 81.3% were from third-party property developers. The GFA under management was approximately 41.0 million sq.m., representing a growth of 28.5% compared with 2022, among which approximately 32.8 million sq.m. or 79.9% were from third-party property developers. The GFA under management of non-residential properties was approximately 6.6 million sq.m., representing a growth of 59.8% compared with 2022. Approximately 99.1% of non-residential properties were from third-party property developers.

6. The Board has proposed the payment of a final dividend of RMB0.053 per share for the Year.

The board (the "**Board**") of directors (the "**Director(s)**") of Kangqiao Service Group Limited (the "**Company**" or "**Kangqiao Service**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively the "**Group**") for the year ended December 31, 2023 (the "**Year**") with comparative figures for the year ended December 31, 2022.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended December 31, 2023
(All amounts in RMB thousands unless otherwise stated)

	Notes	**Year ended December 31**	
		2023	2022
		RMB'000	RMB'000
Revenue	4	934,016	792,920
Cost of sales	5	**(713,321)**	(601,852)
Gross profit		**220,695**	191,068
Administrative expenses	5	**(60,441)**	(53,047)
Selling and marketing expenses	5	**(11,129)**	(12,608)
Credit impairment losses		**(88,648)**	(47,736)
Other income		**9,531**	9,663
Other losses - net		**(601)**	(9,569)
Operating profit		**69,407**	77,771
Finance income		**4,051**	5,294
Finance costs		**(2,705)**	(1,077)
Finance income - net		**1,346**	4,217
Share of profit of investments accounted for using the equity method		**1,397**	1,021
Profit before income tax		**72,150**	83,009
Income tax expenses	6	**(19,582)**	(17,304)
Profit for the year		**52,568**	65,705
Profit attributable to:			
– Owners of the Company		**38,484**	54,121
– Non-controlling interests		**14,084**	11,584
		52,568	65,705
Other comprehensive income			
Item that may be reclassified to profit or loss			
– Exchange difference on translation of foreign operations		**1,548**	10,353
Total comprehensive income for the year		**54,116**	76,058
Total comprehensive income attributable to:			
– Owners of the Company		**40,032**	64,474
– Non-controlling interests		**14,084**	11,584
		54,116	76,058
Earnings per share			
– Basic and diluted（expressed in RMB yuan per share）	7	**0.05**	0.08

CONSOLIDATED BALANCE SHEET

As at December 31, 2023

(All amounts in RMB thousands unless otherwise stated)

	Notes	As at December 31	
		2023	2022
		RMB'000	RMB'000
ASSETS			
Non-current assets			
Property and equipment	8	**12,314**	13,829
Right - of - use assets		**1,598**	3,013
Investment properties		**5,020**	2,081
Intangible assets	9	**54,783**	52,918
Deferred income tax assets		**39,346**	21,652
Investments accounted for using the equity method		**3,197**	1,953
Prepayments		**65,629**	69,730
Restricted cash		**1,302**	1,253
		183,189	166,429
Current assets			
Inventories		**13,911**	1,014
Prepayments	10	**5,280**	3,308
Trade and other receivables	11	**690,518**	598,869
Restricted cash		**3,794**	10,847
Financial assets at fair value through profit or loss		**-**	43,094
Cash and cash equivalents		**355,684**	345,910
		1,069,187	1,003,042
Total assets		**1,252,376**	1,169,471
EQUITY			
Equity attributable to owners of the Company			
Share capital	12	**5,831**	5,831
Other reserves	13	**520,686**	540,450
Retained earnings		**184,978**	165,082
		711,495	711,363
Non-controlling interests		**52,330**	45,002
Total equity		**763,825**	756,365

CONSOLIDATED BALANCE SHEET (CONTINUED)

As at December 31, 2023

(All amounts in RMB thousands unless otherwise stated)

	Notes	As at December 31	
		2023	2022
		RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		**2,247**	2,387
Deferred income tax liabilities		**6,701**	6,314
Other payables	14	**165**	5,747
Contract liabilities		**4,147**	5,341
		13,260	19,789
Current liabilities			
Lease liabilities		**7,179**	7,131
Trade and other payables	14	**313,960**	274,012
Contract liabilities		**146,193**	104,711
Current income tax liabilities		**7,959**	7,463
		475,291	393,317
Total liabilities		**488,551**	413,106
Total equity and liabilities		**1,252,376**	1,169,471

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended December 31, 2023

(All amounts in RMB thousands unless otherwise stated)

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 March 15, 2024.

2 SUMMARY OF MATERIAL ACCOUNTING POLICIES

This note provides a list of the material 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.

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards ("**HKAS**")
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants

(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, 2023. The adoption of these standards and amendments does not have significant impact on the consolidated financial statements of the Group.

HKFRS 17	Insurance Contracts
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Initial Application of HKFRS 17 and HKFRS 9	Comparative Information

(d) New and amendments to existing standards that have been issued but are not effective for the financial year beginning on January 1, 2024 and have not been early adopted by the Group are as follows:

		Effective for annual periods beginning on or after
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current	January 1, 2024
Amendments to HKAS 1	Non-current liabilities with covenants	January 1, 2024
Amendments to HKAS 16	Lease liability in sale and leaseback	January 1, 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements	January 1, 2024
Hong Kong Interpretation 5 (Revised)	Presentation of Financial Statements —— Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause (HK Interpretation 5 (Revised))	January 1, 2024
Amendments to HKAS 21	Lack of Exchangeability	January 1, 2025
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	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

The Group's management has determined the operating segments based on the reports reviewed by the chief operating decision-maker (the "**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. The Group's 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, 2023, all the segments are domiciled in the PRC and all the revenue were derived in the PRC (2022: same).

As at December 31, 2023, substantially all assets of the Group were located in the PRC (December 31, 2022: 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	
	2023	2022
	RMB'000	RMB'000
Property management services	**594,104**	480,918
Value-added services to non-property owners	**138,381**	151,527
Community value-added services	**136,575**	133,970
City services	**64,956**	26,505
	934,016	792,920
Timing of revenue recognition		
- Over time	**794,267**	658,920
- At a point in time	**139,749**	134,000
	934,016	792,920

For the year ended December 31, 2023, revenue from entities controlled by Mr. Song contributed 7.7% (2022: 13.9%) of the Group's revenue. None of the Group's customers contributed 10% or more of the Group's revenue during the year ended December 31, 2023 (2022: Other than entities controlled by Mr. Song, none of the Group's customers contributed 10% or more of the Group's revenue).

5 EXPENSES BY NATURE

	Year ended December 31	
	2023	2022
	RMB'000	RMB'000
Employee benefit expenses	**198,312**	177,305
Sales agency service costs	**56,081**	47,981
Security service costs	**125,300**	107,963
Greening and cleaning expenses	**168,510**	128,602
Maintenance and customer service costs	**62,822**	62,042
Utilities	**43,638**	33,315
Cost of goods sold	**27,335**	23,921
Decoration business costs	**18,036**	18,780
Office expenses	**20,225**	14,877
Travelling and entertainment expenses	**8,183**	6,690
Auditor's remuneration	**2,684**	2,906
- Audit services	**2,584**	1,868
- Non - audit services	**100**	1,038
Depreciation of property and equipment (Note 8)	**4,065**	3,505
Depreciation of right-of-use assets	**1,415**	1,624
Depreciation of investment properties	**1,706**	1,812
Amortisation of intangible assets (Note 9)	**3,466**	3,391
Professional fees	**5,090**	-
Others	**38,023**	32,793
	784,891	667,507

6 INCOME TAX EXPENSES

	Year ended December 31	
	2023	2022
	RMB'000	RMB'000
Current income tax		
- PRC corporate income tax	**35,389**	29,682
- Withholding income tax	**1,500**	-
	36,889	29,682
Deferred income tax		
- PRC corporate income tax	**(18,407)**	(12,378)
- Withholding income tax	**1,100**	-
	(17,307)	(12,378)
	19,582	17,304

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, 2023 (2022: 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 of the Group estimate of the weighted average effective annual income tax rate expected for the full financial year.

Pursuant to the Regulation on the Implementation of the Enterprise Income Tax Law of the PRC 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.

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, 2023.

The Company did not have any potential ordinary shares outstanding during the years ended December 31, 2023 and 2022. Diluted earnings per share was equal to basic earnings per share.

	Year ended December 31	
	2023	2022
Profit attributable to owners of the Company (RMB'000)	**38,484**	54,121
Weighted average number of ordinary shares in issue (in thousands)	**700,000**	700,000
Basic and diluted earnings per share attributable to the owners of the Company during the year (expressed in RMB yuan per share)	**0.05**	0.08

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, 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
Year ended December 31, 2023					
Opening net book amount	430	6,190	3,530	3,679	13,829
Additions	641	3,337	1,562	31	5,571
Disposals	(14)	(238)	-	-	(252)
Transfer from property to investment property	-	-	-	(2,769)	(2,769)
Depreciation charge	(389)	(1,998)	(1,670)	(8)	(4,065)
Closing net book amount	668	7,291	3,422	933	12,314
As at December 31, 2023					
Cost	2,464	16,851	6,851	1,356	27,522
Accumulated depreciation	(1,796)	(9,560)	(3,429)	(423)	(15,208)
Net book amount	668	7,291	3,422	933	12,314

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

	Year ended December 31	
	2023	2022
	RMB'000	RMB'000
Cost of sales	**3,109**	2,592
Administrative expenses	**907**	844
Selling and marketing expenses	**49**	69
	4,065	3,505

(b) No property and equipment were pledged as security for bank borrowings as at December 31, 2023 and 2022.

9 INTANGIBLE ASSETS

	Computer software	Customer relationships and backlog	Goodwill	Total
	RMB'000	RMB'000	RMB'000	RMB'000
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
Year ended December 31, 2023				
Opening net book amount	666	23,934	28,318	52,918
Additions	5,354	-	-	5,354
Disposals	(23)	-	-	(23)
Amortisation	(666)	(2,800)	-	(3,466)
Closing net book amount	5,331	21,134	28,318	54,783
As at December 31, 2023				
Cost	8,515	28,300	28,318	65,133
Accumulated amortisation	(3,184)	(7,166)	-	(10,350)
Net book amount	5,331	21,134	28,318	54,783

10 PREPAYMENTS

	As at December 31	
	2023	2022
	RMB'000	RMB'000
Prepayments		
- Prepayments to third-party	**70,909**	73,038
Less: non-current portion of prepayments (Note (a))	**(65,629)**	(69,730)
Current portion of prepayments	**5,280**	3,308

(a) As at December 31, 2023, 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	
	2023	2022
	RMB'000	RMB'000
Trade receivables (Note (a))		
- Related parties	**321,400**	264,844
- Third parties	**355,751**	225,712
	677,151	490,556
Less: allowance for impairment of trade receivables	**(132,940)**	(49,313)
	544,211	441,243
Other receivables		
- Amounts due from related parties	**92,073**	121,460
- Cash advances to non-controlling interests	**230**	230
- Deposits	**52,058**	34,028
- Others	**21,463**	15,316
	165,824	171,034
Less: allowance for impairment of other receivables	**(19,517)**	(13,408)
	146,307	157,626
Trade and other receivables	**690,518**	598,869

(a) As at December 31, 2023, the ageing analysis of the trade receivables based on recognition date were as follows:

	As at December 31	
	2023	2022
	RMB'000	RMB'000
Up to 1 year	**324,937**	295,043
1 to 2 years	**207,501**	167,219
2 to 3 years	**121,632**	19,250
Over 3 years	**23,081**	9,044
	677,151	490,556

(b) As at December 31, 2023, 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, 2022: 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, 2022 and 2023	1,000,000,000	10,000,000	8,370
Issued:			
As at December 31, 2022 and 2023	700,000,000	7,000,000	5,831

13 OTHER RESERVES

	Capital reserves	Share premium	Statutory reserve	Foreign currency translation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
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
As at January 1, 2023	25,600	493,215	13,888	7,747	540,450
Currency translation differences	-	-	-	1,548	1,548
Appropriation of statutory reserves (Note (a))	-	-	18,588	-	18,588
Dividends to shareholders of the Company	-	(39,900)	-	-	(39,900)
As at December 31, 2023	25,600	453,315	32,476	9,295	520,686

(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

	As at December 31	
	2023	2022
	RMB'000	RMB'000
Trade payables (Note (a))		
- Related parties	**1,400**	248
- Third parties	**82,985**	74,243
	84,385	74,491
Other payables		
- Amounts due to related parties	**13,848**	13,302
- Payables for acquisition of a subsidiary	**5,024**	4,594
- Deposits from third parties	**71,986**	59,755
- Accrued payroll	**43,745**	38,471
- Provision for expected credit losses allowance on financial guarantees	**-**	1,088
- Other tax payables	**6,903**	5,133
- Others	**88,234**	82,925
	229,740	205,268
Total	**314,125**	279,759
Less: non-current portion of other payables	**(165)**	(5,747)
Current portion of trade and other payables	**313,960**	274,012

(a) As at December 31, 2023 and 2022, ageing analysis of the trade payables (including amounts due to related parties which were trade in nature) based on invoice date were as follows:

	As at December 31	
	2023	2022
	RMB'000	RMB'000
Up to 1 year	**80,687**	70,927
1 to 2 years	**1,944**	2,730
2 to 3 years	**974**	640
Over 3 years	**780**	194
	84,385	74,491

(b) As at December 31, 2023, trade and other payables were mainly denominated in RMB and the carrying amounts of trade and other payables approximated their fair values (December 31, 2022: same).

15 DIVIDENDS

A final dividend in respect of the year ended December 31, 2023 of RMB0.053 per ordinary share has 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 June 18, 2024. 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 RMB0.057 per ordinary share for the year ended December 31, 2022, totalling RMB39,900,000 were declared at the annual general meeting of the Company held on September 6, 2023 and settled in 2023. These final dividends have been distributed out of the Company's share premium.

CHAIRMAN'S STATEMENT

In 2023, facing the twists and turns of economic recovery, the accelerated evolution of technological revolution and industrial transformation, and the complex situation of intertwined risks and challenges, the Group comprehensively implement the spirit of the Party's 20th National Congress and the Second Plenary Session of the 20th Central Committee, solidly carry out thematic education on studying and implementing Xi Jinping's Thought on Socialism with Chinese Characteristics for a New Era, implement the "Party Building Leading + Red Property", strengthen the core competitiveness of the Group with the "Five Capabilities and Four Standardization" and practice the development strategy of "De-Kangqiao-ization and De-Real Estate-ization" by pioneering and expanding our territory, the Group rises again from the ashes and embarks on a new journey, revenue increased by approximately 17.8% to approximately RMB934.0 million. In terms of revenue structure, revenue from property management services grew by 23.5% to approximately RMB594.1 million, revenue from value-added services to non-property owners decreased by 8.7% to approximately RMB138.4 million, revenue from community value-added services grew by 1.9% to approximately RMB136.6 million and revenue from city services grew by 145.1% to approximately RMB64.9 million, with the overall revenue structure of the four businesses being approximately 63.6%, 14.8%, 14.6% and 7.0%, respectively.

Gross profit increased slightly by 15.5% to approximately RMB220.7 million, resulting in a profit attributable to owners of the Company of RMB38.5 million, representing a year-on-year decrease of 28.9%, a weaker performance than last year.

In 2023, due to the real estate industry is in a period of deep adjustment, the overall scale of new investment in real estate continued to decline, with no incremental of new contract gross floor area (the "**GFA**") from the related parties, Kangqiao Property Development Group, and no new merger, and acquisition project has been implemented due to the adoption of stricter risk control requirements. Against the backdrop of a continued turbulent external environment, our third-party bidding remains strong, new total contract amounts from third parties achieved approximately RMB330 million, new contract GFA from third parties achieved approximately 6.52 million sq.m., among which the GFA under management was approximately 4.07 million sq.m.. During the year ended December 31, 2023, the Group's contracted GFA increased from 63.3 million sq.m. as at December 31, 2022 to 67.1 million sq.m. as at December 31, 2023, representing a growth of approximately 6.0%, and in the meantime the GFA under management increased from 31.9 million sq.m. as at December 31, 2022 to 41.0 million sq.m. as at December 31, 2023, representing a growth of approximately 28.5%.

In terms of results, the overall business and financial performance in 2023 was slightly weaker than our development plan. On the one hand, the industry was under extreme hardship. Under the shock of the ongoing regulatory turmoil in the real estate industry, the development of the industry had been under tremendous pressure, and on the other hand, our overall business development progress, especially the development of value-added services, had lagged behind. At the same time, problems that had been overlooked during the rapid development of the past were beginning to emerge, such as, the significant increase in our trade receivables leading to an increase in our credit impairment losses.

In conclusion, there are many objective factors brought about by the irreversible internal and external environment, but there are also many areas where we can improve efficiency through management changes. We are firmly convinced of the development potential in the property services industry, and every cycle deserves our respect. Through refining industry order and reshaping the competitive landscape, the principle of survival of the fittest serves as a test to a company's core competitiveness. The Board and the Group's management team will continue to lead the Company to embrace the era, respect changes, overcome difficulties, and meet challenges.

The greatest truths is concise, and solid work is crucial

Although originating from the spillover shock of cyclical crises in the real estate sector, the property management industry faces difficulties and changes. However, the continuous rollout of numerous encouraging support policies related to property management that helps the property management industry move towards a healthy, regulated trajectory. Property management highlights an increasingly important role in maintaining social stability and grassroots services. Policies have made the indispensable role of property management and the direction of high-quality and good price development more evident. The Group seizes the waves of the era, intensifies the cultivation of internal strengths, and continues to enhance "Service Capability, Operational Capability, Organizational Strength, Digital Science Strength, and Brand Power." Adhering to these "Five Capabilities" as core competitive strengths, we aim to create "Four Modernizations" brand advantages, making intangible services to tangible through "Service Standardization, Standardized Products, Product Branding, and Brand Value".

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, "Joyful Living", "Joyful Commercial Property Management", and "Joyful City Service", 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 of the Company 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, smart parking and smart charging. Under the Group's overall business performance objectives, whether it is the property sector or the industrial sector, each of major product lines are oriented to meet customers needs, operate independently in the market, mutually integrate internal and external resources, standardize service under standardized management, put quality service first, and through digital assessment.

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

Quality sustainable 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 expanding in three directions: urban deep cultivation, industry deep cultivation and deep cultivation in the surrounding areas of the project under management, and focused on the Zhejiang region and 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, commercial, office buildings and city services such as rail transit and sanitation; for example, the Nanjing Hexian International School, Nanjing Niushoushan Jinling Xiaocheng Yanjili, Qingdao Metro Line 11, Nanjing Universe Building, Zhengzhou Erqi Environmental Sanitation Project, Zhengzhou Rail Transit Line 12, etc. As of December 31, 2023, Zhengzhou's under management scale has exceeded 19 million sq.m.. Expand the Nanjing market and achieve the establishment, expansion, and profitability of the Nanjing joint venture company in the same year.

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. The organizational efficiency has been further improved through the use of 1-to-N, project clusters, and urban management models. However, due to additional expenses related to listing, compared to the same period in 2022, except for a slight increase in per capita management area, the per capita net profit and personnel cost ratio have slightly decreased.

Build internal and external talent supply and development chains around business objectives, and promote the full cycle management of talents. The Group enhances its internal talent expertise and management capabilities through the construction of Kangqiao School's capabilities and the development of a tiered training system. Continuously develop frontline service standard operation process courses, refine job understanding cards, and assist employees in learning and absorbing as quickly as possible. The Group continues to promote the open course of project managers and the cultivation of "Future Leaders" in research and development, to assist in the reserve of talent cultivation for middle and senior executives in the Group, accelerate the improvement of the five-level talent cultivation system, and increase the proportion of internal talent cultivation. The proportion of internal talent cultivation has reached 77% in 2023.

Employees are the cornerstone of the development of the enterprise. On the one hand, 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; On the other hand, we had increased the construction of employee mutual aid funds. In 2023, the employee mutual aid fund assisted a total of 16 employees and RMB0.12 million.

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 2023, the Digital Science Center was continued to focus on the strategic development requirements of the Group's Five Capabilities and Four Standardization, combined with core pain points and frontline demands in the business side work process, to achieve and continuously optimize the "Business Finance Integration" digital technology support system, and carried out more intelligent and refined management of business management and cost control, completing the interconnection of customers, services, and facilities and equipment; promote the application of smart technology, through technologies such as the internet, internet of things, big data, cloud computing, artificial intelligence, etc., to achieve information connectivity and interoperability across multiple modules and formats, promote the upgrading of property service quality, value-added business innovation and development, meet diversified customer needs, achieve source and cost reduction, energy conservation and consumption reduction, ensure the operation capabilities and profitability of the Company, and support the overall business scale and support needs of the Group's new four-year strategic development.

In 2023, the science and technology of the Group was accumulated a total of 62 copyrights, 29 systems, 16 self owned source codes, and 131 code projects in its knowledge assets.

Party leadership leads the advance, practicing social responsibility

The Group continues to explore and practice the path of non-public party building and red property development, and innovatively extracts the "12345" work method, which includes party building leadership, two-way efforts, tripartite linkage, four teams, and five services. The legal work of "12345" can be implemented and has received praise from the majority of owners and party organizations at each levels. Kangqiao Service has also been rated as a "Red Property" for 2022 by the Organization Department of the Zhengzhou Municipal Committee of the Communist Party of the People's Republic of China (the "**PRC**"), the Zhengzhou Housing Security and Real Estate Management Bureau, and other units, creating a "Star Rated Property Service Enterprise".

In 2023, the Kangqiao Service Red Property Party Building Hall was grandly opened, becoming a red battlefield for fully leveraging party building leadership and party mass services. Under the leadership and organization of the Party branch, we have successively carried out public welfare activities such as the Zhengzhou University Road Street Civilization Creation Volunteer Service Activity, the Zhengzhou Elderly Care Institute Student Lei Feng Volunteer Service Activity, the Zhengzhou Children's Welfare Institute Love Donation Activity, the Anyang Linzhou Hongqi Canal Love Public Welfare Activity, the Hongqi Canal Red Education Practice Activity, and the Care for Silver Age Elderly and Lonely Living Elderly Activity, fulfilling the corporate responsibilities and responsibilities.

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, carve a highland of core competitiveness, resist the continuous changing macro environment with the unchanged service, and establish a century-old enterprise.

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

(1) Business Overview

2023 was an important year in the new four-year development of the Group. As a listed property enterprise, Kangqiao Service (i) continues to provide high-quality services of "Satisfaction + Refinement" for property owners; (ii) fulfill its commitment to the shareholders of the Company (the "**Shareholder(s)**") 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 basic property management services, value-added services to non-property owners, community value-added services and city services. All business areas are interconnected and market-oriented for balanced development. In 2023, the Group's revenue was approximately RMB934.0 million, representing an increase of 17.8% as compared to approximately RMB792.9 million for the corresponding period in 2022.

As of December 31, 2023, the Group provided property management services, value-added services or city services in 34 cities in the PRC, with 278 projects under management and a contracted GFA of approximately 67.1 million sq.m., representing an increase of 6.0% as compared to approximately 63.3 million sq.m. for the corresponding period in 2022, among which approximately 54.4 million sq.m. or 81.3% were from third-party property developers. The GFA under management was approximately 41.0 million sq.m., representing an increase of 28.5% as compared to approximately 31.9 million sq.m. for the corresponding period in 2022, among which approximately 32.8 million sq.m. or 79.9% were from third-party property developers. The GFA under management of non-residential properties was approximately 6.6 million sq.m., representing an increase of 59.8% as compared to approximately 4.2 million sq.m. for the corresponding period in 2022, among which approximately 99.1% of non-residential properties were from third-party property developers.

(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 2023, the Group was awarded the title of "2023 China Top 100 Property Management Companies" by China Index Academy, with its overall industry strength ranking increased by two places to 27th as compared with 2022. 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 2023, especially in terms of increase in the GFA under management of non-residential properties of the Group by approximately 59.8% as compared to the corresponding period in 2022. In 2023, revenue from property management services was approximately RMB594.1 million, accounting for 63.6% of the total revenue, representing an increase of 23.5% as compared to the corresponding period in 2022.

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. In 2023, revenue from value-added services to non-property owners of the Group was approximately RMB138.4 million, representing a decrease of approximately 8.7% as compared to approximately RMB151.5 million for the corresponding period in 2022. The decrease in revenue from value-added services to non-property owners was mainly 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. In 2023, revenue from community value-added services provided by the Group was approximately RMB136.6 million, representing an increase of 1.9% as compared to that of approximately RMB134.0 million for the corresponding period in 2022, 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) smart block construction, etc. In 2023, the Group's revenue from the city services was approximately RMB64.9 million, representing an increase of 145.1% as compared to that of approximately RMB26.5 million for the corresponding period in 2022.

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 four 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 made to expand the non-residential property and city services product lines of horizontally, and gradually realize the three pillars of "Joyful Living" (悅生活) (for residential properties), "Joyful Commercial Property Management" (悅商管) (for non-residential properties) and "Joyful City Services" (悅城服) (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, reserve 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 RMB934.0 million, representing an increase of 17.8% as compared to approximately RMB792.9 million for 2022.

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

	Year ended December 31,			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Property management services	**594,104**	**63.6**	480,918	60.7
Value-added services to non-property owners	**138,381**	**14.8**	151,527	19.1
Community value-added services	**136,575**	**14.6**	133,970	16.9
City services	**64,956**	**7.0**	26,505	3.3
Total	**934,016**	**100.0**	792,920	100.0

Property management services

During the Year, the Group's revenue from the provision of property management services amounted to approximately RMB594.1 million, representing an increase of 23.5% as compared to approximately RMB480.9 million for the corresponding period in 2022, 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 RMB138.4 million, representing a decrease of 8.7% as compared to approximately RMB151.5 million for the corresponding period in 2022. The decrease in revenue from value-added services to non-property owners was mainly 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 RMB136.6 million, representing an increase of 1.9% as compared to approximately RMB134.0 million for the corresponding period in 2022, 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 RMB64.9 million, representing an increase of 145.1% as compared to approximately RMB26.5 million for the corresponding period in 2022，which was mainly due to an increase in city services projects under management.

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, travelling and entertainment expenses, depreciation and amortisation charges and others.

During the Year, the Group's cost of sales was approximately RMB713.3 million, representing an increase of approximately 18.5% as compared to approximately RMB601.9 million for the corresponding period in 2022. 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,			
	2023		2022	
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**130,227**	**21.9**	78,278	16.3
Value-added services to non-property owners	**34,914**	**25.2**	49,947	33.0
Community value-added services	**46,854**	**34.3**	58,879	44.0
City services	**8,700**	**13.4**	3,965	15.0
Total	**220,695**	**23.6**	191,068	24.1

During the Year, the Group's gross profit margin was approximately 23.6%, representing a decrease of 0.5% as compared to approximately 24.1% for 2022, 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 21.9%, representing an increase from 16.3% for 2022, 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 25.2%, representing a decrease from 33.0% for 2022, 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 34.3%, representing an increase from 44.0% for 2022, which was mainly due to the gradual increase of volume of community goods, which has a lower profit margin.

The gross profit margin of city services was 13.4%, representing a slightly decrease from 15.0% for 2022.

Other income

During the Year, the Group's other income amounted to approximately RMB9.5 million, representing a decrease of 1.4% as compared to approximately RMB9.7 million for the corresponding period in 2022, was mainly due to the decrease of government subsidies.

Selling and marketing expenses

During the Year, the Group's selling and marketing expenses amounted to approximately RMB11.1 million, representing a decrease of 11.7% as compared to approximately RMB12.6 million for the corresponding period in 2022. 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 RMB60.4 million, representing an increase of 13.9% as compared to approximately RMB53.0 million for the corresponding period in 2022, mainly due to additional expenses related to listing.

Credit impairment losses

During the Year, the Group's credit impairment losses was approximately RMB88.6 million, representing an increase of 85.7% as compared to approximately RMB47.7 million the corresponding period in 2022. 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. It led to an increase in the expected credit losses rate of the real estate industry, resulting in a highly increase in provision for expected credit loss on receivables from related parties for the Year as compared to 2022.

Income tax expenses

During the Year, the Group's income tax expenses amounted to approximately RMB19.6 million, representing an increase of 13.2% as compared to approximately RMB17.3 million for the corresponding period in 2022.

Profit for the Year

Profit for the Year was approximately RMB52.6 million, representing a decrease of approximately 20.0% as compared to that of approximately RMB65.7 million for the corresponding period in 2022. Profit for the Year attributable to the owners of the Company was approximately RMB38.5 million, representing a decrease of approximately 28.9% as compared to that of approximately RMB54.1 million for the corresponding period in 2022, mainly due to the increase in credit impairment losses. Therefore, in early 2024, the Group adjusted its business strategy and will rigorously assess the collection of service contracts.

Liquidity, reserves and capital structure

The Group maintained a strong financial position during the Year. As at December 31, 2023, the current assets amounted to approximately RMB1,069.2 million, representing an increase of approximately 6.6% as compared to that of approximately RMB1,003.0 million for 2022. As at December 31, 2023, the Group's cash and cash equivalents were mostly denominated in RMB and amounted to approximately RMB355.7 million, representing an increase of approximately 2.8% from approximately RMB345.9 million as at December 31, 2022. The Group's current ratio (current assets divided by current liabilities) as at December 31, 2023 was approximately 2.2, representing a decrease of 0.4 from approximately 2.6 as at December 31, 2022. The asset-liability ratio (total liabilities divided by total assets) as at December 31, 2023 was 39.0%, representing an increase of 3.7% from 35.3% as at December 31, 2022.

As at December 31, 2023, 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, 2023, trade and other receivables amounted to approximately RMB690.5 million, representing an increase of 15.3% from approximately RMB598.9 million as at December 31, 2022, which was mainly due to the slow recovery of the Group's trade and other receivables.

Trade and other payables

As at December 31, 2023, trade and other payables amounted to approximately RMB314.1 million, representing an increase of 12.3% from approximately RMB279.8 million as at December 31, 2022. This was mainly attributable to the Group's optimization in settlement progress 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 the 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

In May 2020, Henan Dingfeng Property Service Co., Ltd. (河南鼎峰物業服務有限公司) ("**Dingfeng Property**", whose 51% equity interests were acquired by the Group in October 2021, i.e. the "**Dingfeng Acquisition**") 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). The loan amount was RMB30,000,000. The loan was also secured by third parties' pledging of assets valued at around RMB18,000,000. Further, prior to the Dingfeng Acquisition, Henan Jiatian Industrial Group Co., Ltd. (河南佳田實業集團有限公司) ("**Jiatian**"), an independent third party, also executed a counter-guarantee (the "**Dingfeng-Pingdingshan Counter-guarantee**") to indemnify Dingfeng Property against any loss as a result of the Dingfeng-Pingdingshan Guarantee. 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. In July 2023 and August 2023, an aggregate of approximately RMB12.5 million in the frozen bank account has been enforced. In fulfilling its obligations under the Dingfeng-Pingdingshan Counter-guarantee and compensate the Group for its loss of the bank deposits of approximately RMB12.5 million, Jiatian transferred certain car parking spaces to the Group. Avista Business Consulting Co., Ltd., an independent professional valuer engaged by the Group, confirmed that the fair value of the said car parking spaces is RMB15.5 million as of December 31, 2023.

Save as disclosed above, as at December 31, 2023, the Group has not provided other guarantees.

Contingent liabilities

As at December 31, 2023, the Group did not have any material contingent liabilities and capital commitments.

Material acquisitions and disposals

The Company does not have other major investments, material acquisitions or disposals of subsidiaries, associates and joint ventures held as at December 31, 2023, 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 annual results announcement, the Group does not have any other material plans to invest in the future.

Employee and remuneration policy

As at December 31, 2023, the Group had a total of 2,088 employees (December 31, 2022: 1,831).

During the Year, the total remuneration cost of the Company incurred, including Director's remuneration, was RMB198.3 million (year ended December 31, 2022：RMB177.3 million).

The Group has a well-established recruitment system 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 of Hong Kong Limited (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, 2023:

Purposes	Percentage of total amount (approximate)	Net proceeds as disclosed in the Prospectus (HK$ million)	Unutilised amount as at December 31, 2022 (HK$ million)	Actual use of proceeds during the Year (HK$ million)	Unutilised amount as at December 31, 2023 (HK$ million)	Expected timeline for the use of proceeds
Pursue selective strategic investment and acquisition opportunities to further develop strategic cooperation and expand our business scale	65%	408.8	322.9	3.5	319.4	By December 2024
Invest in our intelligent operational and internal management systems to improve service quality and customer experience	10%	62.9	48.4	6.5	41.9	By December 2024
Enrich and expand our service and type of product offerings to develop our diverse business line	15%	94.3	12.6	12	0.6	By December 2024
Working capital and other general corporate purposes	10%	62.9	2.1	0	2.1	By December 2024
Total	**100%**	**628.9**	**386.0**	**22.0**	**364.0**	

As at December 31, 2023 and up to the date of this annual results 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 the 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 (renamed to Appendix C1 with effect from December 31, 2023) of the Rules Governing the Listing Rules of Securities on the Stock Exchange (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, financial 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 period from January 2023 to March 2023, 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.

During the Year, Grant Thornton Advisory Services Limited, the independent investigator and SHINEWING Risk Services Limited (the "**IC Consultant**"), have identified the weaknesses in the Group's internal control during its review. As of the date of this annual results announcement, the Company has adopted all the recommendations from the IC Consultant. Please refer to the announcements of the Company dated August 31, 2023 and December 20, 2023 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 (renamed to Appendix C3 with effect from December 31, 2023) 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 RMB0.053 per share for the year ended December 31, 2023. The final dividend is subject to approval from the Shareholders at the annual general meeting (the "**AGM**") to be held on June 18, 2024 and will be expected to be paid on July 10, 2024 to the Shareholders whose names appear on the register of members of the Company on June 27, 2024.

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 June 13, 2024 to June 18, 2024, 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 June 12, 2024.

(ii) To qualify for the final dividend

The register of members of the Company will be closed from June 24, 2024 to June 27, 2024, 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 June 21, 2024.

AUDIT COMMITTEE

The Board has established the audit committee of the Company (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. Mr. WONG Yun Pun is the chairman of the Audit Committee. 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, 2023 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, 2023 as set out in the preliminary announcement have been agreed by the auditor of the Company, 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 2023 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, 2023 will be dispatched to the Shareholders and published on the websites of the Stock Exchange and the Company respectively.

PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION OF THE COMPANY

The Board proposes to seek approval from the Shareholders at the AGM for amendments to the existing second amended and restated memorandum and articles of association of the Company (the "**Articles**") for the purpose of updating and bringing the Articles in line with the amendments to the Listing Rules which mandate the electronic dissemination of corporate communications by listed issuers to their securities holders from December 31, 2023 onwards, as well as other housekeeping changes (the "**Proposed Amendments**"). The Company will seek approval from the Shareholders at the AGM for the adoption of the third amended and restated memorandum and articles of association of the Company incorporating the Proposed

Amendments.

The Proposed Amendments and the adoption of the third amended and restated memorandum and articles of association of the Company are subject to the approval of the Shareholders by way of special resolution at the AGM. A circular containing, among other things, particulars relating to Proposed Amendments together with a notice convening the AGM will be despatched to the Shareholders according to the applicable law, the Articles and the Listing Rules.

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

Hong Kong, March 15, 2024

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.*