Colour Life Services Group Co., Limited

Stock code: 1778

POWER IGNITE

Annual Report 2023

CONTENTS

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive Directors
Mr. Liu Hongcai *(Executive President)*
Ms. Yang Lan *(Chief Financial Officer)*

Non-executive Directors
Mr. Zhu Jindong *(Chairman)*
Mr. Timothy David Gildner
Mr. Chen Wenjian

Independent Non-executive Directors
Mr. Lee Yan Fai
Mr. Zhang Raymond Yue
Ms. Yu Shan

AUDIT COMMITTEE

Mr. Lee Yan Fai *(Chairman)*
Mr. Zhang Raymond Yue
Ms. Yu Shan

REMUNERATION COMMITTEE

Mr. Zhang Raymond Yue *(Chairman)*
Mr. Lee Yan Fai
Ms. Yu Shan

NOMINATION COMMITTEE

Mr. Zhu Jindong (Chairman)
Mr. Zhang Raymond Yue
Ms. Yu Shan

COMPANY SECRETARY

Ms. Luo Shuyu

AUTHORISED REPRESENTATIVES

Ms. Yang Lan
Ms. Luo Shuyu

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

PRINCIPAL PLACE OF BUSINESS AND ADDRESS OF HEADQUARTERS IN THE PRC

10/F, Tower, B
The Platinum Tower
No. 1 Tairan 7th Road
Futian District
Shenzhen, the PRC

PRINCIPAL PLACE OF BUSINESS IN HONG KONG

21/F., CMA Building
64 Connaught Road Central
Central, Hong Kong

LISTING INFORMATION

Share Listing
The Stock Exchange of Hong Kong Limited
Stock Code: 1778

COMPANY'S WEBSITE

www.colourlife.hk

AUDITOR

Prism Hong Kong and Shanghai Limited
Registered Public Interest Entity Auditors

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR

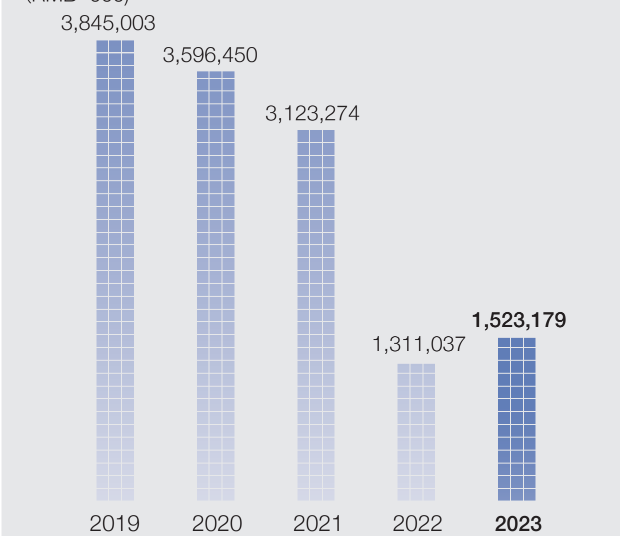
Computershare Hong Kong Investor Services Limited
17M Floor
Hopewell Centre
183 Queen's Road East
Wanchai
Hong Kong

PRINCIPAL BANKERS

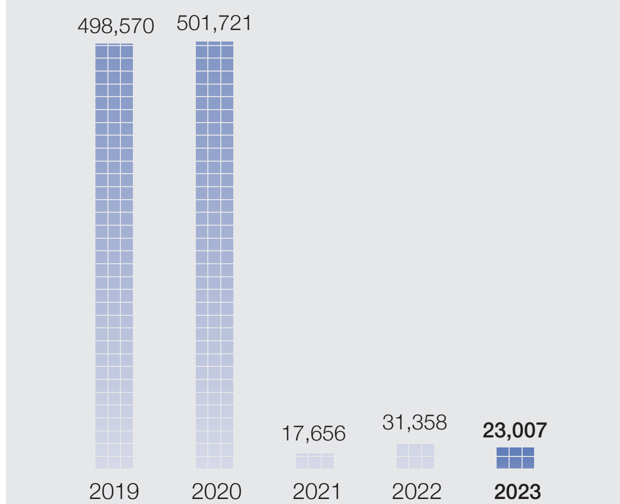
(In alphabetical order)
Bank of China Limited
Industrial and Commercial Bank of China Limited

FINANCIAL HIGHLIGHTS

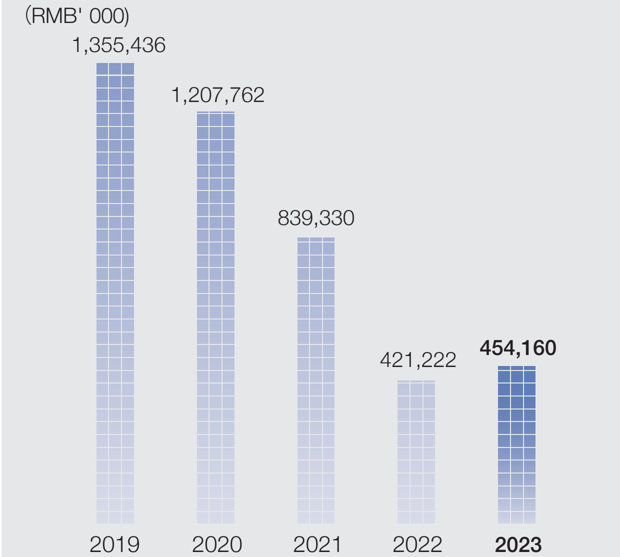
Revenue
(RMB' 000)



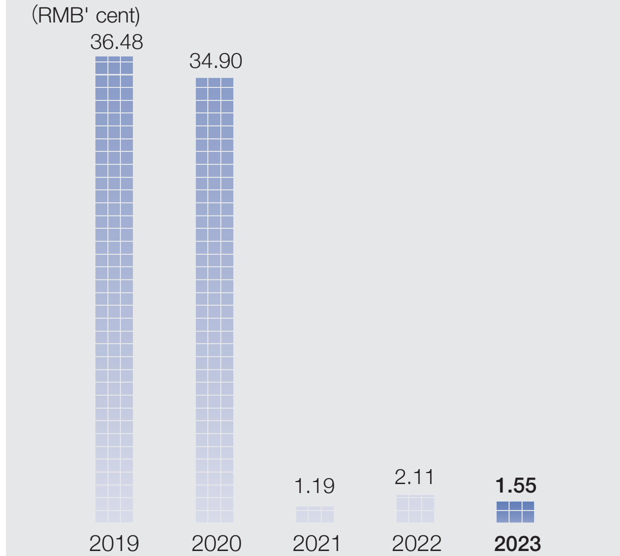
Profit attributable to owners of the Company
(RMB' 000)



Gross profit
(RMB' 000)



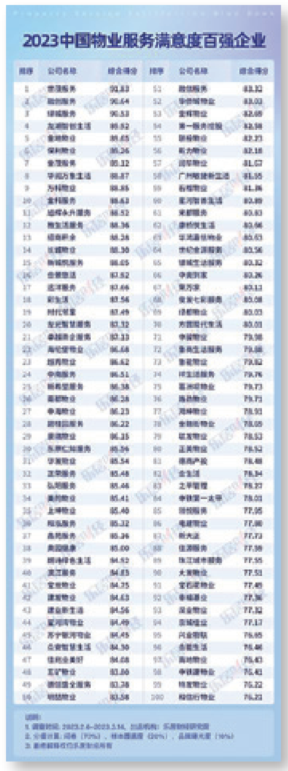
Basic earnings per share
(RMB' cent)



	2019 (RMB'000)	2020 (RMB'000)	2021 (RMB'000)	2022 (RMB'000)	**2023 (RMB'000)**
Revenue	3,845,003	3,596,450	3,123,274	1,311,037	**1,523,179**
Gross profit	1,355,436	1,207,762	839,330	421,222	**454,160**
Profit attributable to owners of the Company	498,570	501,721	17,656	31,358	**23,007**
Basic earnings per share *(RMB cents)*	36.48	34.90	1.19	2.11	**1.55**
Total assets	9,375,943	10,296,437	5,744,889	5,825,269	**5,849,370**
Total liabilities	5,323,947	5,742,015	1,335,290	1,384,387	**1,386,047**
Bank balances and cash	1,721,228	2,458,579	600,079	757,116	**947,904**

HONORS AND AWARDS

1. In February 2023, Huang Airu was rated as the 2022 Outstanding Correspondent by the Shenzhen Property Management Industry Association;



2. In 2023, Colour Life ranked 18th in the ranking of the 2023 Top 100 Property Service Satisfaction Enterprises in China launched by Leju Finance;

3. In March 2023, Colour Life Services Group Co., Limited was awarded the "2023 Property Service Enterprise Excellence Performance" by the Guandian Index Academy at the 2023 Guandian Property Conference;

4. In March 2023, Colour Life Services Group Co., Limited was awarded the "2023 Outstanding Performance in Brand Value of Property Service Enterprises" by the Guandian Index Academy at the 2023 Guandian Property Conference;

HONORS AND AWARDS

5. In March 2023, Colour Life Services Group Co., Limited was awarded the "2023 Outstanding Performance in Brand Value of Property Service Enterprises" by the Guandian Index Academy at the 2023 Guandian Property Conference;

6. In April 2023, Colour Life Services Group Co., Limited was awarded the honour of "2023 China Top 100 Property Service Enterprises" by Beijing China Index Academy at the 2023 China Top 100 Property Service Enterprises Research Results Release Conference and the 16th China Top 100 Property Service Entrepreneurs Forum;

7. In April 2023, Colour Life Services Group Co., Limited was awarded the honour of "2023 China Leading Property Management Companies in terms of Technology Application" by Beijing China Index Academy at the 2023 China Top 100 Property Service Enterprises Research Results Release Conference and the 16th China Top 100 Property Service Entrepreneurs Forum;

8. In April 2023, Colour Life Services Group Co., Limited was awarded the honour of "2023 Outstanding Enterprises in Specialized Property Management in China" by Beijing China Index Academy at the 2023 China Top 100 Property Service Enterprises Research Results Release Conference and the 16th China Top 100 Property Service Entrepreneurs Forum;

HONORS AND AWARDS

9. In May 2023, Colour Life Services Group Co., Limited was awarded “2023 Community Value-added Service Capabilities of Listed Property Service Companies in China Top 10” at the Research Results Release Conference of 2023 China Real Estate Developers and the 21th China Real Estate Brand Development Summit, an event that was sponsored by China Enterprise Evaluation Association, Institute of Real Estate Studies of Tsinghua University, and Information Technology Research Institute of Beijing China Index Academy and organised by China Real Estate Top 10 Research Group under Information Technology Research Institute of Beijing China Index Academy;

10. In August 2023, the “2023 Boao Real Estate Forum” organized by Guandian Real Estate Organization kicked off in Hainan, and the “Influence Indexes · Performance of Outstanding Real Estate Companies” was grandly released on site. Colour Life Services Group won the title of “2023 Growth Property Service Enterprise”;

11. In August 2023, the “2023 Boao Real Estate Forum” organized by Guandian Real Estate Organization kicked off in Hainan, and the “Influence Indexes · Performance of Outstanding Real Estate Companies” was grandly released on site. Colour Life Services Group won the title of “2023 Innovative Nursing Care Industry Model”;

12. In September 2023, the “2023 China Real Estate Brand Value Research Results Conference and the 20th China Real Estate Brand Development Forum” was grandly held in Beijing. With its excellent service quality, strong innovation capabilities and steady growth rate, Colour Life was awarded “2023 China’s Leading Brand Enterprise in Property Market-oriented Operation”;

HONORS AND AWARDS

13. In September 2023, Colour Life was awarded "Colour Life Brand Value: 10.5 billion" at the "2023 China Real Estate Brand Value Research Results Conference and the 20th China Real Estate Brand Development Forum";

14. In September 2023, the "2023 China Real Estate Brand Value Research Results Conference and the 20th China Real Estate Brand Development Forum" was grandly held in Beijing. With its excellent service quality, strong innovation capabilities and steady growth rate, Colour Life was awarded "2023 China Property Service Featured Brand Enterprise-Leading Community Operation";

15. In September 2023, Colour Life was awarded the "2023 Property Quality Development Model Enterprise" by Leju;

16. In December 2023, the press conference of "2023 (Seventh) China Real Estate/Home/Property Manager Awards", organised by Leju Finance, was held online. Mr. Liu Hongcai, the executive director and chief executive officer of Colour Life Services Group, was awarded the "2023 China Top 10 Property CEO of the Year";

17. In December 2023, the press conference of "2023 (Seventh) China Real Estate/Home/Property Manager Awards", organised by Leju Finance, was held online. Mr. Dou Yongzhi, the vice president of Colour Life Services Group, was awarded the "2023 China Top 100 Property Managers";

HONORS AND AWARDS

18. In December 2023, the press conference of “2023 (Seventh) China Real Estate/Home/Property Manager Awards”, organised by Leju Finance, was held online. Mr. Wang Bincai, the assistant president of Colour Life Services Group, was awarded the “2023 China Top 100 Property Managers”;

19. In December 2023, the press conference of “2023 (Seventh) China Real Estate/Home/Property Manager Awards”, organised by Leju Finance, was held online. Mr. Xie Mingdong, the general manager of Chongqing Business Department of Colour Life Services Group, was awarded the “2023 China Top 100 Property Managers”;

20. In December 2023, the press conference of “2023 (Seventh) China Real Estate/Home/Property Manager Awards”, organised by Leju Finance, was held online. The list of 2023 Property Heroes was formally announced at the conference. Mr. Ding Feng, the project manager of Shuxiangyuan Project of the Suzhou North Division of Colour Life Services Group, was awarded the “Property Heroes” in 2023;

21. In December 2023, Colour Life Services Group was awarded as an outstanding member unit of the Guangdong Property Management Industry Association for the year 2023 by the Guangdong Property Management Industry Institute;

22. In December 2023, Colour Life Services Group was awarded 2022-2023 Guangdong Property Management Industry Integrity Benchmarking Enterprise by the Guangdong Property Management Industry Institute;

HONORS AND AWARDS

23. In December 2023, Colour Life Services Group was awarded 2023 Guangdong Provincial Property Service Comprehensive Development Strength Enterprise by the Guangdong Property Management Industry Institute;

24. In December 2023, Colour Life Services Group was awarded 2023 Greater Bay Area Property Service Brand Enterprise by the Guangdong Property Management Industry Institute;

25. Colour Life was honoured with the "Best Theme Award" in the Property Sound Awards organised by the Shenzhen Property Management Industry Association in 2023.

26. In December 2023, Colour Life Services Group was honoured as the "2023 Blue Chip Property Top 100 Enterprises" by The Economic Observer at the research result release "2023 Blue Chip Property Top 100 Summit".

27. In December 2023, Colour Life Services Group was honoured as the "Quality Community Value Model Enterprise" by The Economic Observer at the research result release "2023 Blue Chip Property Top 100 Summit".

CHAIRMAN'S STATEMENT

Dear Shareholders,

2023 was a year of returning to rationality and embracing market changes, a year full of challenges and opportunities, a year to recuperate and recover after being hit hard by great challenges, and a year for all people to "live a tight life". The policy guidelines for urban renewal in 2023 are summarised as a double helix model of supporting facilities and policy norms. The State Council mentioned the need to increase the construction and supply of affordable housing; cities began to introduce policies to standardise the charging of residential property services; community pension incentive policies continued; and community value-added services entered a period of high-quality development. These are common issues in the property management industry, and questions that Colour Life has been thinking about.

Colour Life treats the industry's business opportunities rationally, follows the trend, takes industry characteristics into account and take advantage of policies to achieve corporate upgrading. While enhancing its own strengths, Colour Life leverages the situation and strive for milestone development through improvements in service, cost, efficiency and technology.

Up to 31 December 2023, the Group recorded revenue of RMB1,523.2 million from its principal business, net profit is approximately RMB33.0 million and a net profit attributable to shareholders of RMB23.0 million. Up to the end of December 2023, the total contracted GFA of Colour Life reached 356 million sq.m., serving over 8 million residents from 1,987 communities in 122 cities across the country.

FOLLOWING POLICY GUIDANCE CLOSELY, GOING WITH THE FLOW AND ACHIEVING QUALITY DEVELOPMENT OF SERVICES

In recent years, China has successively issued a series of policy documents such as the "Opinions of the Central Committee of the Communist Party of China and the State Council on Strengthening the Modernization of Grassroots Governance Systems and Governance Capabilities" and the "Opinions on Deepening the Construction of Smart Communities", which clarified the principles, goals and tasks of smart community construction and has continuously promoted the construction of smart communities in China. The "14th Five-Year Plan" and the outline of Vision 2035 proposed to "promote the construction of smart communities, rely on community digitalization and offline community service agencies, build a smart service circle that is convenient and beneficial to the people, and provide online and offline integrated community life services, community governance and public services, smart communities and other services."

The property management industry is a labour-intensive industry where labour cost is a big part of the total operating costs. The rising labour cost is a common problem faced by all sectors. Property management enterprises, in particular, are under even greater pressure. It is a general trend to empower development by integrating intelligent systems into business activities, with features including digital, technological and intelligent transformation as well as smart devices. It also aligns with the business development philosophy of Colour Life.

CHAIRMAN'S STATEMENT

The core competitiveness of the property management business lies in the improvement of service efficiency. Especially in the context of difficulties in raising management fees and rising labour costs, creating an efficient solution to improve customer satisfaction becomes the foundation for enterprises to gain a foothold. Based on years of independent research and development and continuous exploration, Colour Life has built a strong digital platform for property management covering five basic services (security, cleaning, greening, maintenance and engineering), operating systems based on work orders (elevator, energy, decoration, etc.), and customer service platforms (complaint, repair, parking, payment, etc.). By further classifying the whole process of property management services, the platform is conducive in improving the work efficiency of the Group.

In order to improve work efficiency and save labour costs, Colour Life aims at building an innovative system by developing and launching digital employees. So far, six digital employees have been on duty, achieving intelligent and automated workflow in seven business scenarios. Through comparison and analysis, the working hours of digital employees in these scenarios are 90% less than those of ordinary employees, and the data accuracy can reach 99.99%. A digital employee can complete three days' workload of three employees. In some work scenarios of a larger scale, a digital employee can even complete the workload of 6-10 ordinary employees, improving work efficiency by 75%, reducing costs by 50%, and releasing 45% of the workforce. With a focus on customer services, Colour Life has developed a group-wide unified customer management platform SCRM based on WeCom. Through relevant data of business systems recorded and sorted out by employees, the platform gives the whole picture of property assets and customers to facilitate employees' understanding of customers. The data are managed based on workflow to avoid human interference and ensure the accuracy of the basic data. Based on SCRM, Colour Life provides customers with more online services, such as self-service decoration, community activities, satisfaction surveys and repair, so that customers can handle more affairs online by themselves. The intelligent and automated work-processing engine of the system can reduce the burden on employees and improve the efficiency and satisfaction of customers.

In order to manage talents more scientifically and improve employee work efficiency, Colour Life developed and put into use the Eagle Eye platform, an intelligent attendance and employment system, in the first half of the year. Colour Life Eagle Eye platform is a comprehensive platform for employee on-the-job management based on cloud computing, big data, LBS positioning, AI analysis and other technologies, and employee attendance and check-in and project electronic fence data and combining multi-dimensional operation analysis of software and hardware data such as work orders, project sky eyes, access control, parking lots, etc. Through the Eagle Eye platform, we can accurately and clearly obtain whether employees are actually and effectively working on the job during working hours, thereby improving individual employee work efficiency.

CHAIRMAN'S STATEMENT

As the industry advancing towards high quality, the industry has deeply realised the importance of satisfaction. The development of property management companies has returned to consolidating the brand foundation through high-quality development, achieving market share expansion and increasing collection rates to maintain stable cash flow and corporate profits. Colour Life advocated creating an inclusive, shared, green and beautiful community ecosystem on an ongoing basis and improving the quality of project services. For the first half of the year, the Group has created benchmark projects in 23 cities, including Beijing, Shanghai, Shenzhen, Wuhan and Chongqing, involving 164 aspects including safety, the environment, parking lots, engineering, quality, facilities and equipment; and we have improved the quality of projects across the country. As of the end of December 2023, Colour Life has invested a total of RMB32,225,800 to improve the quality of 618 projects. At the same time, we improved the quality of customer service and visited more than 1.19 million homeowners, including home visits, telephone interviews, and online survey return visits. We said good morning and good night, 365 days no matter rain or shine, accompanying your every morning and dream. We published more than 6 million daily greetings, weather forecasts, warm reminders, holiday blessings and work reports to protect homeowners from severe cold and heat, strong winds and heavy rains, and provide them with warm care. We solved approximately 65,000 service requests from homeowners, continuously improve Colour Life's service quality and increase homeowners' satisfaction.

A total of 27 honours were obtained throughout the year, including "Excellent Performance of Property Service Company in 2023", "Excellent Performance in Brand Value of Property Service Company In 2023", "2023 Top 100 Property Management Companies in China", "2023 China Leading Property Management Companies in Terms of Technology Application", "2023 China's Excellent Enterprise in Special Property Service Capacity – Residential Property Service Capacity", "2023 China Top 10 Listed Property Management Companies in terms of Community Value-added Service Capabilities", "2023 Growth Property Service Company", "2023 Innovative Senior Care Industry Model", "2023 China Leading Property Management Companies in Real Estate Marketisation", "2023 China Property Service Featured Brand Enterprise – Leading in Community Operations" and "2023 Model Enterprise of High-Quality Property Development". Executive President Mr. Liu Hongcai won the honorary title of "2023 China's Top Ten Property CEOs of the Year". Mr. Ding Feng, project manager of the Shuxiangyuan (書香苑) project of Northern Jiangsu Business Division of Colour Life Services Group, was awarded the honorary title of "Property Hero" in 2023. Guangdong Property Management Industry Institute awarded Colour Life Service Group with "2023 Guangdong Property Management Industry Institute Outstanding Member Unit", "Property Management Industry Integrity Benchmark Enterprise", "2023 Guangdong Province Property Service Comprehensive Development Strength Enterprise", "2023 Greater Bay Area Property Service Brand Enterprise", "Top 100 Blue-Chip Property Enterprise in 2023", "Blue-Chip Property Quality Community Value Model Enterprise", etc.

DIVERSIFIED LAYOUT AND SUBDIVIDED TRACKS TO EMPOWER COLOURFUL COMMUNITIES IN AN ALL-ROUND WAY

Riding on the rapid development of mobile internet technology in recent years, Colour Life actively innovates value-added services which cater to the needs of property owners in all aspects of life, bringing more resources and benefits back to property owners.

For instance, we have launched a variety of insurance products, such as household property insurance, gas insurance and electric bicycle insurance. Discovering the potential risks in the highly frequent scenarios in community property owners' daily lives, we have created products accordingly to provide property owners with diversified and differentiated services and to improve the quality of community insurance services.

The Group explored an array of innovative business models based on community scenarios to find a development path suitable for Colour Life. The Group teamed up with a leading enterprise of the supply chain, Eternal Asia Starlink (怡亞通星鏈), to create a community-based platform for online shopping called Colour Life Select (彩優選), which covers a full range of select commodities such as basic foodstuff, daily necessities, agricultural by-products and fresh food. The platform helps deliver quality products directly to property owners from farmlands and production workshops at preferential prices. In addition to providing a full range of products to meet people's daily needs, the platform has also set up a special agriculture-supporting zone to bridge the gap between rural and urban areas. It contributes to promoting rural revival while delivering fresh, quality and affordable agricultural products and by-products to the dining table of every Colour Life property owner. Moreover, Colour Life Select recruited property owners to arrange group buying in the community, offering them zero-cost opportunities to start a small business. The platform is responsible for goods preparation, logistics, distribution and after-sales services. Property owners in the community demand better shopping experience, caring about not only categories, but also diversified channels. This has led to boundaryless competition among enterprises. Colour Life actively explores new models of community retail and introduces live streaming sales into the community, which complements with Colour Life Select shopping platform. Specifically, Colour Life Select shopping mall screens and provides quality products while live streaming sales make it more visible and convenient for property owners to shop online. Colour Life Select also launched a hot product campaign, in which people in charge from different cities served as local specialty product recommendation officers, used city business cards to increase product visibility and increase revenue generation. We believe that enterprises which aim at continuously developing and remaining vital must keep moving, stay sensitive and innovative, and explore more possibilities for the future.

CHAIRMAN'S STATEMENT

The 2023 government work report pointed out that we should effectively protect and improve people's livelihood, accelerate the development of social undertakings, actively respond to population aging, and promote the development of aging business and the elderly care industry. We should also develop community and home-based elderly care services to enrich the spiritual and cultural life of the people and deepen the establishment of mass spiritual civilization. In response to the national strategy of actively coping with population aging and implementing the healthy elderly care strategy, Colour Life has always insisted on building flexible guarantees for people's livelihood and well-being. This year, we formed a strategic cooperation with China Everbright Senior Healthcare Company Limited. The two parties planned to jointly create multi-field application scenarios such as community home-based elderly care services, smart elderly care services, and aging-friendly transformation services. In the future, the two parties will jointly build a medical and health care service centre to provide customers with health services such as rehabilitation, physiotherapy, and physical examinations to integrate into people's livelihood and enhance value. In the future, Colour Life will continue to explore and integrate high-quality resources, actively participate in the layout of health and elderly care services, and promote the continuous improvement of the Company's elderly care service system to benefit the people.

With the improvement of people's living standards, homeowners have put forward higher requirements for the convenience and efficiency of life. In order to meet the growing personalised needs of owners, Colour Life actively has promoted a variety of home services, from door-to-door housekeeping to home cleaning, from maintenance and installation to home safety and health, and from logistics express delivery to home entertainment. Colour Life will continue to utilise its own comprehensive resources to manage meticulously, expand scale, and serve the rigid demands of homeowners to become a good helper in the life of homeowners, and constantly improve the living standards of homeowners.

CONTINUE TO CREATE AN EQUAL, PRACTICAL, FREE AND PROSPEROUS COMMUNITY

After 21 years of extensive development, we have come to a profound understanding that anchoring ourselves in grassroots community services is the very essence of the Company's survival. In our basic business, we have undergone a gradual shift from property management to a focus on serving people. We provide property owners with essential guarantees and infrastructure through comprehensive supporting facilities and hardware, while fostering a stronger service mindset. We remain committed to placing community warmth at the core of our business, integrating warmth and emotions into our services from property owners' perspective.

For example, during the 315 Consumer Rights Day this year, the Group broke the norm and launched the second You Complain, We Pay campaign, during which we directly received complaints from community property owners across the country regarding service projects and actively worked towards resolving them. Within the 7-day campaign period, we handled 3,360 valid complaints, averaging 5 minutes per case. Through this campaign, the Group aimed at providing an opportunity for every property management personnel to reconnect with their original inspiration, using their wholehearted services to gain property owners' 100% satisfaction, striving to create a new and vibrant community together with property owners.

In May, the Group launched the second exclusive IP event for Colour Life property owners – Colour Festival. Focusing on the three series of events themed Authenticity, Benefits and Colour, we invited property owners to visit property management work settings and received their feedback and suggestions on site; held a benefit event for property owners by gifting them millet and kitchen appliances; and hosted the Colourful Fellow Residents Festival which featured a series of community based interactive activities for people of all ages, including the elderly, youth and children. As of the end of the year, the Group planned a total of 12 large-scale community events with over 1,400 sessions held, covering over 1 million property owners.

In June, during the college entrance examination period, the Group jointly carried out college entrance examination assistance activities. It sent stationery bags to college entrance examination students, organised escort transportation teams, shot encouragement videos, and posted mute proposals to protect all candidates. This has become the most popular community event among homeowners every year.

This year marked the 21st anniversary of the Group's establishment. On this occasion, all members of Colour Life jointly interpreted what "love" is. With the theme of "21 Love You", they expressed their love to the Company and homeowners, and promised to love in the day-to-day services, in the colourful and prosperous community, in the smart and convenience innovations, and in the glimmer of mutual help and kindness.

Entering the cold winter, Colour Life communities across the country have launched a series of warm winter activities to create fun and exciting garden activities for homeowners, and brought food, drink, entertainment and convenience activities into the carnival. We also delivered ginger tea to the homeowners, held photography competitions, and held a colourful and welfare-filled New Year Festival, which has become a winter activity that the homeowners loved.

At the same time, Colour Life carried out a brand refresh. Insisting on the brand concept of equal, practical, free and prosperous and adhering to the spirit of " Service to Your Family", we are committed to becoming an equal, practical, free and prosperous leader in life services, and creating peaceful and prosperous life experience for hundreds of millions of families.

CONCENTRATING ON REGIONAL MARKETS AND BUILDING A STRONG TALENT FORCE TO CHART A NEW PATH

The industry has been experiencing a severe downturn this year, which has brought great challenges to property companies, yet also brought forth opportunities. Professional competence and flexible market adaptability have a significant impact on whether a property company can sustain stable development amidst the current turbulent environment. Development mindset determines the growth potential of a company. To ensure stable market development, Colour Life made drastic adjustments to its market strategy, consolidated resources and talents in strategic deployment, and cancelled regional administration. We focused on specific regions, with a particular emphasis on first-tier cities, where persons in charge personally took the lead in market operations. With each business division as a base and ramifying out to cover the entire country, we aimed at achieving comprehensive and sustainable development.

As the old saying goes, an army marches on its stomach. In order to equip market personnel on the frontline, the Group has made preparation actively by attaining 54 system certifications, credit rating certificates and business qualifications, of which all the credit ratings are 3A certificates, and by applying for 62 intellectual property patent certificates and copyrights, including intelligent property management systems, intelligent fee-collecting software, facial recognition, devices to prevent high-rise littering and other intelligent patents, so as to safeguard Colour Life's sustained and long-term expansion.

CHAIRMAN'S STATEMENT

At the same time, the Group's headquarters has become a strong backing for delivering bullets to the front line, and strived to cultivate people who can lead in the front-line market. The core cadres have played a role at the grassroots level, giving full play to the role of leader and improving execution and management capabilities. The auditing and supervision functions have been fully involved in quality improvement, combating corruption, and ensuring input and output. The Legal function has been involved in business throughout the entire process to provide comprehensive legal support. Digital intelligence has empowered the integration of industry and finance with 100% coverage of automated operations and comprehensive data interoperability to empower business expansion.

PROSPECTS

Go forward bravely and face the wind and rain, and look back on the journey and reflect. 2023 has been the year for Colour Life to regroup and start again. Looking back, the Group has adhered to its original aspiration of serving customers, constantly enhanced basic services, improved service quality, and forged ahead with passion and faith. Looking forward to the future, Colour Life will maintain its strategic focus, enhance development resilience, and be ready to strive for success. We will adhere to quality growth and proactively seize market opportunities. Focusing on the diversified development of value-added services and pursuing a customer-oriented approach, we will explore forward-looking business and generate continuous growth. We will establish an efficient and capable institutional structure, and build a strong team that is adaptive, innovative and fearless of change, thus gradually solidifying the foundation of the Company's development.

In the macro-background full of uncertainties, the Company will review the professional value of property management, focus on quality, raise collection rates, promote value-added, get involved, be practical, pioneer and innovate, and strive to win. We firmly believe that only through diligence and perseverance day after day, step by step, working steadily and giving it all, we will be able to overcome the cycles and win the future. The Company will, as always, be committed to becoming an equal, practical, free and prosperous life service leader, creating comfortable, warm, colourful and rich life service experience for hundreds of millions of families, continuing to provide value to owners, partners, employees, investors and shareholders, and continuously benefiting society and people's livelihood.

BUSINESS MODEL

The Group is a leading property management and community services provider in China, with a focus on setting up offline and online service platform via the internet technology and effectively connecting the residents of the communities with different commodities and service providers, so as to provide the best living experience for residents of the communities on the back of property management services.

As communities constitute the most fundamental social units within a city, the services provided by the property management companies are essential in creating a stable and convenient living environment for the residents of the community and promoting the development of the society. The Group strives to meet the basic living needs of the property owners through providing Four Basic Guarantees services (defined as cleaning, greening, security and maintenance services), which constitute the solid cornerstone of community services system.

While meeting the basic living needs of the residents of the community, the Group also promotes smart community construction by proactively utilising emerging technologies such as the Internet of Things, big data and artificial intelligence, and introducing the application of intelligent equipment, so as to enhance the Group's service efficiency in providing high quality property management services for the residents. The Group has established a powerful digitalized "cloud" system in the head office, which minimised the dependency on function and scope of "management" and strengthened the service capacity of the "terminal", so as to organise effective community services. For instance, the Group has upgraded the existing Big Dipper system to a "digital property management platform" by adding an intelligent customer service feature that covers the five basic services including security, cleaning, greening, maintenance and engineering, the order-oriented operation system of the lift, energy and decoration services, as well as the customer complaint platform comprising complaint, repair application, parking, payment, decoration and other services. The Group has divided the entire property management service process into orders, further enhancing the service efficiency of the Group.

In addition to its efforts in refining the basic businesses, the Group has classified its management projects into various service levels based on different charging standards, set standards for equipment modification and services and provided well-oriented service experiences, so as to satisfy customers' demand for performance-price ratio in different projects and secure the Group's rapid expansion across China. With the establishment of an automated, centralised and standardized management system, the Group has realised excellent capacity of cost control under the premise of securing customer satisfaction.

While focusing on improving service efficiency, the Group is dedicated to building harmonious communities. The Group has taken the initiative to organise a wide range of community activities and proactively established communication channels to strengthen the relationship between the property owners as well as between the property owners and the property management staff and enrich the residents' off-work life and spiritual culture, with ultimate goal of building a better and more caring community. By providing such services, we are able to create a harmonious environment for the property owners, and push forward the establishment of our unique community culture brand, so as to enhance the property owners' trust in the Group. The improvement of our relationship with the residents also laid a solid foundation for our effort to further expand community consumption scenarios.

The Group is actively building up an online platform Caizhiyun for its community services equipped with functions such as paying property management fees, issuing notices and submitting complaints online through the platform, which not only provides convenience for residents of the communities but also strengthens the interactions between the Group and community property owners. In addition, the Group designates a proportional number of customer managers to serve the communities based on the proportion to the number of residents in such communities. The customer managers will carry out following up work and seek feedback relating to customer satisfaction in a timely manner. On one hand, it ensures the quality of basic services in the offline community, and on the other hand, it can efficiently understand the needs of community property owners so as to promote the development of value-added business. By organically combining the online and offline operations of the community, the Group further extends its competitive advantage.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS DEVELOPMENT

Usually, property developers are required to engage property management companies before they obtain the delivery permits. At this stage, property developers usually identify qualified property management companies by way of tender, where the Group arranges its marketing department to submit tenders. Once the Group wins the bid, the area under the property management contracts will be incorporated into the Group's Contracted Managed GFA. Property developers will issue an occupation notification to home buyers after the properties are sold. Upon receipt of such notification, the home buyers will be obliged to settle property management fees. This part of Managed GFA will thus be called the "revenue-bearing GFA". The difference between the Contracted Managed GFA and the revenue-bearing GFA is the "reserved GFA" which will be transferred to the revenue-bearing GFA in future.

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience, the Group has selectively entered into consultancy service contracts with regional property management companies. The area agreed in the contracts will be incorporated into the Group's Consultancy GFA. Aforementioned Managed GFA and Consultancy GFA are collectively referred to as Contracted Managed GFA of the Group.

The Group focused on driving its organic growth through reputation and branding. With our outstanding property management experience and expansion capability, as at 31 December 2023, the Contracted Managed GFA of the Group had reached 356.03 million sq.m. while the number of communities under the Group's management and consultancy services contracts had reached 1,987. In which, as at 31 December 2023, the Group's revenue-bearing Contracted Managed GFA reached 182.64 million sq.m.

While proactively expanding service area, the Group made great efforts to establish and upgrade its community service platform, in an effort to meet the daily needs of the property owners and provide them with quality and efficient property management services. In addition to building caring communities, the Group explored various consumption scenarios, product innovation and new business models, with an aim to provide property owners with various value-added services, making property management services a much more important part of the property owners' domestic life.

The Group also continued to explore various value-added services under the community scenario, expanded the property management scenario portfolio, and provided customised products and services for the property owners based on market demands and property owner needs. For instance, based on the extensive property owner base of the Group and the parking lot management scenario, the Group proactively explored the auto insurance sales business. By establishing the headquarter-to-headquarter communication mechanism with the insurance companies, the Group strived to improve service efficiency and reduce the selection costs and purchase costs of the property owners. In addition, the Group continued to develop and strengthen online platform technology, paving the path for connection with the system of the insurance companies, which enabled the Group to have real-time understanding of the business development and claim settlement data and monitor the quality of community-based products in a dynamic manner, so as to provide property owners with quality customer services and claim settlement services. Also, the Group joined hands with Eternal Asia Starlink, a leading supply chain enterprise, to build a community online shopping platform – Colour Life Select, which offers property owners all sorts of goods and services and a light entrepreneurial platform. In doing so, the Group was able to increase the interaction frequency between the property management company and the property owners, enhance the loyalty between the property management company and the property owners, and improve the recognition of the property owners towards its basic property management services and value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the locations of communities where the Group provided management and consultancy services are set out as follows:

Northeastern China
1 Huludao
2 Tieling

Northern China
3 Langfang
4 Baoding
5 Beijing
6 Cangzhou
7 Chengde
8 Qinhuangdao
9 Shijiazhuang
10 Taiyuan
11 Tianjin
12 Xingtai
13 Hohhot

Eastern China
14 Dongying
15 Fuzhou
16 Fuzhou
17 Fuyang
18 Ganzhou
19 Gaoyou
20 Hangzhou
21 Huai'an
22 Ji'an
23 Jinan
24 Jiaxing
25 Jiangyin
26 Jingdezhen
27 Jiujiang
28 Jurong
29 Kunshan
30 Linyi
31 Longyan
32 Nanchang
33 Nantong
34 Qingdao
35 Quanzhou
36 Sanming
37 Xiamen
38 Shanghai
39 Shangrao
40 Suzhou
41 Suqian
42 Tai'an
43 Taizhou
44 Weifang
45 Wuxi
46 Xinyi
47 Xuzhou
48 Yantai
49 Yancheng
50 Yichun
51 Changzhou
52 Yingtan
53 Zaozhuang
54 Zhangzhou
55 Zhenjiang
56 Nanjing
57 Jining
58 Changshu

Southern China
59 Chongzuo
60 Dongguan
61 Foshan
62 Guangzhou
63 Guigang
64 Guilin
65 Heyuan
66 Huizhou
67 Liuzhou
68 Nanning
69 Qingyuan
70 Shantou
71 Shaoguan
72 Yangjiang
73 Zhaoqing
74 Zhongshan
75 Zhuhai
76 Beihai

Central China
77 Chenzhou
78 Ezhou
79 Enshizhou
80 Huanggang
81 Huangshi
82 Jingzhou
83 Liuyang
84 Loudi
85 Nanyang
86 Shaoyang
87 Shiyan
88 Suizhou
89 Wuhan
90 Xiangtan
91 Xiangyang
92 Yichang
93 Zhangjiajie
94 Changsha
95 Zhengzhou
96 Zhuzhou
97 Luoyang

Shenzhen
98 Shenzhen

Northwestern China
99 Baoji
100 Lanzhou
101 Xi'an
102 Xianyang
103 Yinchuan
104 Yulin
105 Hanzhong

Southwestern China
106 Chengdu
107 Dali
108 Deyang
109 Duyun
110 Guang'an
111 Guangyuan
112 Guiyang
113 Kunming
114 Mianyang
115 Neijiang
116 Qiannanzhou
117 Qingzhen
118 Chongqing
119 Ziyang
120 Zunyi
121 Gejiu
122 Nanchong

MANAGEMENT DISCUSSION AND ANALYSIS

As at 31 December 2023, the following table sets out GFA and the number of communities where the Group provided management and consultancy services in different regions as at the dates indicated below:

	As at 31 December 2023				As at 31 December 2022			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	GFA ('000 sq.m.)	Number of communities	GFA ('000 sq.m.)	Number of communities	GFA ('000 sq.m.)	Number of communities	GFA ('000 sq.m.)	Number of communities
Shenzhen	5,211	84	41	1	4,775	90	41	1
Southern China (excluding Shenzhen)	61,360	420	–	–	68,906	447	–	–
Eastern China	99,836	660	–	–	98,122	701	–	–
Southwestern China	61,345	267	–	–	74,726	283	92	1
Northeastern China	9,100	53	–	–	11,451	59	–	–
Northwestern China	13,024	64	–	–	12,907	64	–	–
Northern China	19,378	87	–	–	22,681	85	–	–
Central China	86,730	351	–	–	106,318	376	–	–
Total	355,984	1,986	41	1	399,886	2,105	133	2

Note:

(1) As at 31 December 2023, the Group's Contracted Managed GFA reached 356.03 million sq.m.

As at 31 December 2023, the Group managed 1,986 communities with an aggregate contracted GFA of approximately 355.98 million sq.m. and entered into consultancy service contracts with 1 community with an aggregate GFA of consultancy service arrangements of approximately 0.041 million sq.m. The Group will mainly expand its business by obtaining new service engagements. The following table sets out the movements of contracted GFA and the number of communities where the Group provided management and consultancy services during the reporting period:

	As at 31 December 2023				As at 31 December 2022			
	Managed by the Group		Under the Group's consultancy service arrangements		Managed by the Group		Under the Group's consultancy service arrangements	
	Contracted Managed GFA ('000 sq.m.)	Number of communities	Contracted Managed GFA ('000 sq.m.)	Number of communities	Contracted Managed GFA ('000 sq.m.)	Number of communities	Contracted Managed GFA ('000 sq.m.)	Number of communities
As at the beginning of the year	399,886	2,105	133	2	414,619	2,189	8,874	31
New engagements [1]	15,086	93	–	–	9,620	68	–	–
Acquisition [2]	274	7	–	–	1,466	11	–	–
Termination [3]	(59,262)	(219)	(92)	(1)	(25,819)	(163)	(8,741)	(29)
As at the end of the year	355,984	1,986	41	1	399,886	2,105	133	2

Notes:

(1) In relation to communities the Group managed, the new engagements mainly included service engagements for residential communities that replaced the previous property management company, and a small part was service engagements for new property development projects built by property developers. In relation to communities the Group provided consultancy services for, new engagements include the Group's entering into of consultancy services agreements with regional property management companies.

(2) The Group expanded its Managed GFA through acquisitions and gained synergy after the acquisition.

(3) The Contracted Managed GFA and the number of communities which the Group ceased to renew certain property management contracts due to commercial factors.

BUSINESS OVERVIEW

The Group has two main business lines:

- Property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for property management companies; and

- Value-added services, which primarily include: (i) online promotion services; (ii) sales and rental assistance services; (iii) engineering services; (iv) other value-added services;

Scope of Services for Property Management Services

As at 31 December 2023, the Group employed over 26,887 on-site personnel (including staffs employed by the Group and the staffs outsourced from third parties) to provide property management services. The table below sets forth the property management fee range for area within the communities the Group managed under commission basis and lump sum basis as at the dates indicated below. Property management fee levels within the same geographical region vary depending on factors such as property types and locations.

	As at 31 December 2023		As at 31 December 2022	
	Under commission basis (RMB/ sq.m./month)	**Under lump sum basis (RMB/ sq.m./month)**	Under commission basis (RMB/ sq.m./month)	Under lump sum basis (RMB/ sq.m./month)
Shenzhen	**0.4-11.4**	**1.8-16.9**	0.4-11.4	1.8-16.9
Southern China (excluding Shenzhen)	**0.5-6.0**	**0.7-16.9**	0.5-6.0	0.7-16.9
Eastern China	**0.4-17.0**	**1.1-16.0**	0.4-17.0	1.1-16.0
Southwestern China	**0.5-6.1**	**0.3-25.0**	0.5-6.1	0.3-25.0
Northeastern China	**0.4-3.3**	**2.0-18.0**	0.4-3.3	2.0-18.0
Northwestern China	**0.5-4.0**	**1.4-22.7**	0.5-4.0	1.4-22.7
Northern China	**0.7-5.5**	**1.2-25.0**	0.7-5.5	1.2-25.0
Central China	**0.6-5.3**	**0.9-16.9**	0.6-5.3	0.9-16.9

MANAGEMENT DISCUSSION AND ANALYSIS

Property management services, which primarily include: (i) provision of services for communities under lump sum basis; (ii) provision of services for communities under commission basis; (iii) provision of pre-delivery services for property developers; and (iv) provision of consultancy services for regional property management companies.

Property Management Services under Lump Sum Basis

Under lump sum basis, the Group is entitled to recognise all property management fees charged from the property owners as revenue and pay the expenses related to property management from the property management fees. Accordingly, the related costs are recognised as the Group's cost of sales.

Property Management Services under Commission Basis

Under commission basis, the Group is essentially acting as an agent of the property owners. The Group reserves the right to retain the specified percentage (usually 10%) of the owner's property management fees as required by the relevant local authorities as the Group's revenue. The remaining property management fees will be used as operating funds to cover the expenses associated with the management of the property.

Pre-delivery Services

The Group may be appointed as a property management company by the property developers at the initial stage of the property development. The Group provides pre-delivery services for the property developers in preparation for the presale activities and recognises the proceeds based on the fees charged. The relevant expenses are calculated based on the number of employees and positions deployed by the Group, and the related staff costs incurred are the sales costs incurred in providing the services.

Consultancy Services

With a view of expanding the Group's presence, showcasing its services and abilities to a wider audience and making its brand more widely known, the Group has selectively entered into consultancy services contracts with regional property management companies. Under such arrangements, the property management companies are contracted to provide property management services in the relevant communities. The Group provides consultation and advice for these regional property management companies such that they can leverage on the Group's experience and platform to improve various aspects of them such as property management, quality control and human resources management. In addition, the Group provides value-added services in the relevant communities in accordance with the contracts, which may generate additional revenue for the Group in the future.

Scope of Services for Value-added Services

Adhering to the value and concept of "Service to Your Family", the Group has been focusing on providing diversified value-added services for community property owners. With 21 years of experience in community management and services, the Group has established a comprehensive online and offline service system. The Group has employed on-site personnel such as customer managers and community stewards to provide more convenient community services for property owners. Through paying frequent visits to and communicating with property owners by customer managers, the Group has built up trust with residents living in communities and has a more comprehensive understanding on the demands of them. Leveraging on the in-depth understanding about the residents of the communities for which the Group provides management and consultancy, the Group works with third-party professional goods and service providers to create a safer, more convenient and more comfortable living environment for residents.

The Group's value-added services primarily include (i) online promotion services; (ii) sales and rental assistance; (iii) engineering services; and (iv) other value-added services.

Online promotion services

The Group collaborates with providers of various products and services and promotes products or services to property owners through Caizhiyun, the online platform run by the Group. Product and service providers pay certain amount of commission according to their sales ordered through the Caizhiyun platform to the Group. Further, the Group provides system or software for projects that it provides management and consultancy services for, and charges amount of usage fees from using information system software.

Sales and rental assistance

The Group (i) refers its case to a third-party property agent, who assists the property owner in completing the rental and the sale of the property. The Group charges the agent on every successful referral and generates revenue from authorizing property agent's rights to use our online leasing data platform; (ii) helps property developers sell their parking lots under Colour Life Parking Lots model and receives commissions in accordance with the agency sales agreement; (iii) assists communities in renting promotional space of structures (such as elevator interior walls or public spaces) and additional storage space, and receives commissions in return.

Engineering Services

The Group provides engineering services for property developers (including primarily independent property developers and to a lesser extent, the Fantasia Group) and communities which the Group manages through sub-contracting and cooperation with qualified third-party contractors and through its subsidiaries that are mainly engaged in engineering services and energy management services, namely Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji") and Shenzhen Ancaihua Energy Investment Co., Ltd. ("Shenzhen Ancaihua").

Engineering services provide a safe and comfortable environment for property owners of the communities. It also laid the hardware foundation for accelerating the smart transformation of communities which the Group serves and implementing the digital property management platform.

In recent years, the Group continued to carry out the internet-based smart transformation to the projects under its management. Focusing on the property owners' multi-dimension needs for easy community life, we strengthened the transformation of the community mainly in two directions. Firstly, hardware is upgraded to include remote monitoring of elevators, QR code/face recognition access control, vehicle license recognition system in car park etc., so as to realise central management control, replace labour with equipment, save energy and posts, and enhance efficiency and service quality. Secondly, a community service platform is established through connecting communities to the Group's cloud system at its head office. For example, real-time picture of the operation condition in the community under the Group's management will be sent to its head office using remote monitoring technology, and it will promptly assign rectification tasks for areas with potential problem and follow up the results.

Other value-added services

Other value-added services include (i) purchase assistance; (ii) energy management services; (iii) insurance brokerage services; and (iv) other value-added services.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW AND ANALYSIS

Revenue

The Group's revenue mainly arises from (i) property management services; (ii) value-added services. For the year ended 31 December 2023, the total revenue increased by 16.2% to approximately RMB1,523.2 million from approximately RMB1,311.0 million for last year.

The increase in revenue was mainly due to the increase in revenue from the Group's property management services, which increased by 18.3% in 2023 as compared to the previous year.

	For the year ended 31 December					
	2023		2022		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management services	**1,427,599**	**93.7%**	1,206,350	92.0%	221,249	18.3%
Value-added services	**95,580**	**6.3%**	104,687	8.0%	(9,107)	(8.7%)
Total revenue	**1,523,179**	**100.0%**	1,311,037	100.0%	212,142	16.2%

Property Management Services

For the year ended 31 December 2023, revenue from property management services increased by 18.3% to approximately RMB1,427.6 million from approximately RMB1,206.4 million of last year. Breakdown of revenue from property management services are as below:

	For the year ended 31 December					
	2023		2022		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Property management service fees under lump sum basis	**1,309,741**	**86.0%**	1,066,635	81.4%	243,106	22.8%
Pre-delivery services	**12,956**	**0.9%**	10,740	0.8%	2,216	20.6%
Property management service fees under commission basis	**102,814**	**6.7%**	122,408	9.3%	(19,594)	(16.0%)
Property management consultancy service fees	**2,088**	**0.1%**	6,567	0.5%	(4,479)	(68.2%)
Total of property management service fees	**1,427,599**	**93.7%**	1,206,350	92.0%	221,249	18.3%

The changes are mainly attributable to:

(a) An increase in revenue from property management services under lump sum basis by approximately RMB243.1 million, which was mainly due to the increase in the number of the new commissioned communities for business expansion and communities managed under lump sum basis during the year;

(b) A decrease in revenue from property management services under commission basis by approximately RMB19.6 million, which was mainly due to the termination of certain commission basis service contracts;

(c) An increase in revenue from pre-delivery services by approximately RMB2.2 million;

(d) A decrease in revenue from property management services under consultancy services by approximately RMB4.5 million.

Value-added Services

For the year ended 31 December 2023, revenue from value-added services decreased by 8.7% to approximately RMB95.6 million from approximately RMB104.7 million of last year.

Breakdown of revenue from value-added services are as below:

	For the year ended 31 December					
	2023		2022		**Variance**	
	Amount RMB'000	**% of total revenue**	Amount RMB'000	% of total revenue	Amount RMB'000	%
Revenue						
Online promotion services	**36,464**	**2.4%**	43,943	3.4%	(7,479)	(17.0%)
Sales and rental assistance	**27,840**	**1.8%**	28,010	2.1%	(170)	(0.6%)
Engineering services	**22,710**	**1.5%**	16,680	1.3%	6,030	36.2%
Other value-added services	**8,566**	**0.6%**	16,054	1.2%	(7,488)	(46.6%)
Total of value-added service fees	**95,580**	**6.3%**	104,687	8.0%	(9,107)	(8.7%)

The decrease in revenue from value-added service as compared to that of last year was due to:

(a) A decrease in revenue from online promotion services by approximately RMB7.5 million;

(b) A decrease in revenue from sales and rental assistance by approximately RMB0.2 million;

(c) An increase in revenue from engineering services by approximately RMB6.0 million;

(d) A decrease in revenue from other value-added services by approximately RMB7.5 million.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of Services

Cost of services primarily comprises labour costs, subcontracting costs, costs of raw materials which mainly consist of energy-saving light bulbs, intercommunication devices, security camera wires, pipes and others, utility costs, depreciation and amortisation, rental cost and others. For the year ended 31 December 2023, cost of services increased by approximately RMB179.2 million or approximately 20.1% from approximately RMB889.8 million of last year to approximately RMB1,069.0 million.

Gross Profit and Gross Profit Margin

For the year ended 31 December 2023, the overall gross profit was approximately RMB454.2 million, representing an increase of approximately RMB33.0 million or approximately 7.8% from approximately RMB421.2 million for last year.

The overall gross profit margin for the year ended 31 December 2023 was approximately 29.8%, representing a decrease of 2.3 percentage points as compared to 32.1% of last year.

(i) *Property Management Services*

For the year ended 31 December 2023, the gross profit of property management services was approximately RMB384.9 million, representing an increase of approximately RMB38.1 million from approximately RMB346.8 million for last year, and gross profit margin for the year amounted to 27.0%, representing a decrease of 1.8 percentage points as compared to 28.8% of last year.

(ii) *Value-added Services*

For the year ended 31 December 2023, the gross profit of value-added services was approximately RMB69.3 million, representing a decrease of approximately RMB5.1 million from approximately RMB74.4 million for last year, and gross profit margin increased by 1.4 percentage points from 71.1% for last year to 72.5%.

Other Gains and Losses

For the year ended 31 December 2023, the Group's other gains and losses amounted to a loss of approximately RMB43.4 million, representing an increase in loss of approximately RMB32.5 million as compared to a loss of approximately RMB10.9 million last year. The increase in loss was primarily due to (i) an increase in loss of approximately RMB8.7 million on disposal of subsidiaries of the Group during the year; and (ii) an increase in loss of approximately RMB22.0 million on early termination of leases during the year.

Other Income

For the year ended 31 December 2023, other income of the Group decreased by approximately RMB5.0 million to approximately RMB29.7 million from approximately RMB34.7 million of last year, which was mainly attributable to a decrease of approximately RMB3.3 million in government subsidy.

Selling and Distribution Expenses

For the year ended 31 December 2023, selling and distribution expenses of the Group amounted to approximately RMB4.7 million, representing a decrease of approximately RMB6.3 million from approximately RMB11.0 million of last year, which was mainly due to the decrease in business activities for the period, resulting in the decrease in sales and distribution expenses related thereto.

Administrative Expenses

For the year ended 31 December 2023, the administrative expenses of the Group were approximately RMB255.7 million, representing an increase of approximately 15.8% from approximately RMB220.9 million of last year.

Finance Costs

For the year ended 31 December 2023, the Group's finance costs were approximately RMB1.9 million, which decreased by approximately 65.5% as compared to approximately RMB5.5 million of last year. The decrease was mainly attributable to the Group's interest-bearing borrowings being fully repaid in 2022 and finance costs for the year being derived from lease liabilities.

Income Tax Expenses

For the year ended 31 December 2023, the Group's income tax expenses amounted to approximately RMB19.6 million, representing an increase of approximately RMB1.1 million from approximately RMB18.5 million of last year.

Intangible Assets

As at 31 December 2023, the carrying amount of intangible assets was nil, representing a decrease of approximately RMB1.4 million from approximately RMB1.4 million as at 31 December 2022. The decrease was due to the amortisation of intangible assets for the year.

Goodwill

As at 31 December 2023, the carrying amount of goodwill was approximately RMB906.9 million, representing an increase of approximately RMB16.0 million from approximately RMB890.9 million as at 31 December 2022. The increase was due to the Group's acquisition of companies for the period.

Bank Balances and Cash

As at 31 December 2023, the Group's bank balances and cash increased by approximately 25.2% to approximately RMB947.9 million from approximately RMB757.1 million as at 31 December 2022.

Trade and Other Receivables and Prepayments

Trade receivables mainly arise from property management services income under lump sum basis, property management services income from pre-sale services, property management service income from consultancy services, engineering services income and value-added services income.

As at 31 December 2023, trade receivables of the Group net of the allowance for credit losses amounted to approximately RMB651.8 million, which increased by approximately RMB86.5 million as compared to approximately RMB565.3 million as at 31 December 2022. Trade receivables growth was similar to services revenue growth.

As at 31 December 2023, the Group's other receivables and prepayments amounted to approximately RMB1,460.5 million, which decreased by approximately RMB295.0 million as compared to approximately RMB1,755.5 million as at 31 December 2022. The decrease was mainly attributable to the recovery of the Group's receivables from the disposal of major subsidiaries in 2021.

Payments/Receipts on Behalf of Residents

Payments/receipts on behalf of residents represent the current accounts with the property management offices of residential communities managed by the Group under commission basis. These property management offices of residential communities usually have no separate bank accounts because they have no separate legal identity status. For the daily management of these property management offices of residential communities, all transactions of these management offices, including the collection of property management fees and the settlement of daily expenses, are settled through the treasury function of the Group. A net receivable balance from the property management office of the residential community represents expenses paid by the Group on behalf of the residential community in excess of the property management fees collected from the residents of the residential community. A net payable balance to the property management office of the residential community represents property management fees collected from residents of the residential community in excess of the expenses paid by the Group on behalf of the residential community.

MANAGEMENT DISCUSSION AND ANALYSIS

Trade and Other Payables and Accruals

Trade and other payables and accruals primarily comprise amounts payables for subcontracting services, deposits received, accrued staff costs, other taxes payable, provision for retirement benefits contribution and consideration payable for acquisition of subsidiaries.

As at 31 December 2023, trade payables amounted to approximately RMB378.9 million (31 December 2022: RMB305.3 million), mainly due to the growth in business scale and the increase in the amount payable to suppliers at the end of the period.

As at 31 December 2023, other payables and accruals amounted to approximately RMB211.0 million (31 December 2022: RMB153.9 million).

Share Capital

As at 31 December 2023, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2022: approximately 1,487,526,000) and the share capital was approximately RMB120.8 million (31 December 2022: approximately RMB120.8 million).

Cash Position

As at 31 December 2023, the Group's total cash (including pledged bank deposits) was approximately RMB998.2 million, representing an increase of approximately 26.1% from approximately RMB791.9 million as at 31 December 2022, of which approximately RMB50.3 million (31 December 2022: approximately RMB34.8 million) were restricted.

As at 31 December 2023, the current ratio (current assets/current liabilities) of the Group was approximately 3.1 (31 December 2022: approximately 3.0).

Net Gearing Ratio

The net gearing ratio was calculated by net debt over the total equity. As at 31 December 2023, the total of bank balances and cash and pledged/restricted bank deposits amounted to approximately RMB998.2 million and the interest-bearing liabilities were fully paid up. Therefore, no net gearing ratio was presented as at 31 December 2023. The was also no net gearing ratio as at 31 December 2022.

Currency Risk

As the Group mainly operates its business in China, there is no material direct exposure to foreign exchange fluctuations risk.

Employees and Remuneration Policies

As at 31 December 2023, the Group had approximately 11,156 employees (31 December 2022: approximately 10,465 employees). Remuneration is determined with reference to the performance, skills, qualifications and experiences of the staff concerned and the prevailing industry practice.

Apart from salary payments, other staff benefits include contribution to the mandatory provident fund (for Hong Kong employees) and state-managed retirement pension scheme (for employees in the PRC) and a discretionary bonus program.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

EXECUTIVE DIRECTORS

Mr. Liu Hongcai (劉宏才) ("Mr. Liu"), aged 48, was appointed as the executive director of the Company on 24 December 2021. He is the executive president of Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") and is responsible for the overall operation of the Group's projects. Mr. Liu joined the Group in 2012 and acted as the general manager of the Eastern Shenzhen business division of the Group. He was the general manager of Guangzhou divisions of the Group between 2013 and 2020 and the vice president of Shenzhen Colour Life between 2020 and 2021. Prior to joining the Group, he was the regional director of Shenzhen Fantasia Property Management Limited between 2008 and 2010 and the project manager of Shenzhen Fantasia Property Management Limited (Kangqiao Branch) between 2007 and 2008. He served various roles in China Overseas Property Management Co., Limited between 1998 and 2007 and his last position was project manager.

Mr. Liu obtained a bachelor's degree in Real Estate and Realty Management from International Business University of Beijing in 2005. He was awarded 2020 Top 100 Property Manager of the PRC (2020中國物業經理人100強) and Meritorious Person of the 40th Anniversary of the Development of the Property Management Industry in Guangdong Province (廣東省物業管理行業發展四十周年功勳人物).

Ms. Yang Lan (楊瀾) ("Ms. Yang"), aged 47, joined the Group in March 2018. She is currently the Chief Financial Officer of the Group and is responsible for the financial management of the Group. Prior to joining the Group, Ms. Yang worked at TCL Multimedia Technology Holdings Limited from July 1998 to February 2018, with her last position as the financial controller. Ms. Yang has approximately 25 years of experience in accounting and financial management.

Ms. Yang obtained a Bachelor's Degree in Economics from Xi'an Jiaotong University in July 1998, a Master's Degree in Economics from Peking University in December 2010 and a Master's Degree in Business Administration from Peking University HSBC Business School in August 2020. She holds the title of senior accountant.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

NON-EXECUTIVE DIRECTORS

Mr. Zhu Jindong (朱晉東) ("Mr. Zhu"), aged 43, was appointed as a non-executive Director, the chairman of the Board and the chairman of the nomination committee of the Company on 11 September 2023. Mr. Zhu has been the assistant president of the Fantasia Holdings, the controlling Shareholders and a substantial Shareholder, the shares of which are listed on the main board of the Stock Exchange (stock code: 1777) since 2021. Mr. Zhu joined the Fantasia Group in July 2004 and served various roles relating to project management, sales and operational management. Since 2015, Mr. Zhu has been in a managerial position within the Fantasia Group. He has approximately 19 years of experience in the real estate industry.

Mr. Zhu obtained a Bachelor's degree in civil engineering from Harbin Institute of Technology in July 2003.

Mr. Timothy David Gildner (Timothy David Gildner) ("Mr. Gildner"), aged 54, was appointed as a non-executive Director of the Company on 11 September 2023. He is also an executive director and the vice president of Fantasia Holdings Group Co., Limited (stock code: 1777), which is a substantial Shareholder and the controlling Shareholder of the Company, the shares of which are listed on the Main Board of the Stock Exchange. Prior to joining the Fantasia Group, he was a director of Gottardo Advisory Limited between January 2012 and April 2022. He was also a visiting scholar at the City University of Hong Kong between January 2017 and June 2019 for graduate level courses in real estate investment in China and real estate financing; and for fintech related courses at The Hong Kong University of Science and Technology between June 2015 and January 2017. He has extensive knowledge and experience in finance and management.

Mr. Gildner obtained a bachelor of art degree in journalism from Michigan State University, a master's degree in international affairs and a master's degree of business administration from Columbia University in 2002.

Mr. Chen Wenjian (陳文堅) ("Mr. Chen"), aged 40, was appointed as a non-executive Director of the Company on 11 September 2023. He is currently the senior director of 360 (Beijing) Private Equity Fund Management Co., Ltd.* (三六零(北京)私募基金管理有限公司) ("360 Fund Management"). Prior to joining 360 Fund Management, Mr. Chen has served as various roles in financial institutions and as the secretary to the board of a company listed on the Shenzhen Stock Exchange. He has over 10 years of experience in securities, investment research and investment banking businesses.

Mr. Chen obtained a bachelor's degree in statistics and a master's degree in western economics, both from Xiamen University, in 2006 and 2010 respectively.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Lee Yan Fai (李恩輝) ("Mr. Lee"), aged 40, has over 16 years of experience in the auditing, accounting and corporate finance. He works for several accounting firms for over 10 years and was the financial controller of each of Bisu Technology Group International Limited (stock code: 1372) from August 2015 until December 2018 and Sino Golf Holdings Limited (stock code: 361) from September 2015 until December 2018, both being companies listed on the Main Board of the Stock Exchange. Since February 2017, he has been the Managing Director of Yongtuo Fuson CPA Limited. Mr. Lee is currently an independent non-executive director of TS Wonders Holding Limited (Stock code: 1767).

Mr. Lee obtained his Bachelor of Accounting degree from the Napier University, United Kingdom in January 2008 and subsequently obtained his Master of Professional Accounting from The Hong Kong Polytechnic University in September 2018. Mr. Lee is a practising certified public accountant in Hong Kong, a fellow of the Hong Kong Institute of Certified Public Accountants, and an associate of The Institute of Chartered Accountants in England and Wales.

Mr. Zhang Raymond Yue (張玥) ("Mr. Zhang"), aged 48, was appointed as an independent non-executive Director of the Company on 25 September 2023. He has over 15 years of experience in credit investment, private equity, investment banking and capital market. He is the chief executive officer of Zhong Shan Financial Investment Limited. Mr. Zhang was the partner of VMS Investment Group from December 2015 to February 2017. During the period between January 2005 and November 2015, Mr. Zhang has served in various investment banks and his last position was the managing director of Deutsche Bank's Investment Banking in Asia-Pacific Region. Currently, Mr. Zhang is the deputy secretary-general of the China Independent Non-executive Directors Association, the vice-president of the Hong Kong Limited Partnership Fund, the chairman of the Financial Cooperation Committee of the Hong Kong Association for International Economic and Trade Cooperation, the vice chairman of professional services committee of Belt & Road General Chamber of Commerce, executive council member of Center for China & Globalization, a member of the ASTRI Technology Review Panel and a mentor of Hong Kong Cyberport.

Mr. Zhang obtained the bachelor's degree in commerce from The University of Sydney in October 2000 and master's degree in applied finance from Macquarie University in July 2005. He is currently studying in the CEO program at Cheung Kong Graduate School of Business.

Ms. Yu Shan (俞珊) ("Ms. Yu"), aged 46, was appointed as an independent non-executive Director of the Company on 15 March 2024. She is a member of CPA Australia, a member of the Hong Kong Independent Non-Executive Director Association and the deputy secretary general of China Independent Non-Executive Director Association. She has over 20 years of experience in financial management, auditing, mergers and acquisitions in Hong Kong and overseas. Ms. Yu has served as a director of China Enterprise Service Centre (中國企業服務中心) (License number: TC006107) since July 2015; and has served as director, vice president and other positions in Fortune International Group since August 2004, responsible for its financial management, auditing, mergers and acquisitions in Hong Kong and overseas.

Ms. Yu obtained a professional diploma in International Trade from the Beijing Institute of Technology in July 1998; completed a Law major degree at the China University of Political Science and Law in December 2000; obtained the Certificate of Completion of Professional Training in International Tax Planning organised by the National Accounting Institute in August 2001; and obtained the programme certificate of Family Business Management Course from Cheung Kong Graduate School of Business in October 2009.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

SENIOR MANAGEMENT

Mr. Dou Yongzhi (竇勇志) ("Mr. Dou"), aged 53, joined the Group in 2018. He is currently the vice president of Shenzhen Colour Life and is the president of the Northern China region of the Group and is responsible for the overall operational management of the projects in the Norther China region. Prior to joining the Group, Mr. Dou worked in Beijing Darwin International Hotel Property Management Co., Ltd (北京達爾文國際酒店物業管理有限公司). His last position was managing director. Mr. Dou obtained a master's degree in engineering from Wuhan University of Technology and holds the title of Certified Property Manager. Mr. Dou has 25 years of experience in property management. He is a bid evaluation expert of the Government Procurement Expert Database of Beijing and the People's Mediator of People's Mediation Committee for Property Management Disputes of Chaoyang District, Beijing (北京市朝陽區物業管理糾紛人民調解委員會).

Ms. Yu Haihua (于海華) ("Ms. Yu"), aged 44, joined the Group in March 2011. She is currently the vice president of Shenzhen Colour Life and is responsible for the human resources, administration, brand operation and investor relations of the Group. Prior to joining the Group, she was the assistant to chairman of the board of Shenzhen Daihing Automobile Group Co., Ltd. Ms. Yu has 20 years of experience in human resources and administrative management. Ms. Yu obtained a postgraduate certificate of completion in Applied Psychology from Sun Yat-sen University in 2014. She has completed the studies in senior management programme from Cheung Kong Graduate School of Business in 2015 and the executive education programme from China Europe International Business School.

Mr. Wang Bincai (王彬才) ("Mr. Wang"), aged 42, joined the Group in 2007. He is currently the assistant president of Shenzhen Colour Life and is responsible for the overall management of the basic service business unit. Mr. Wang has 23 years of experience in property management. Prior to joining the Group, he worked in Shenzhen Liantang Property Management Co., Ltd. from 2000 to 2007. His last position was the project supervisor of Yantian Heheng Square project. Mr. Wang obtained a bachelor's degree in business administration from Beijing University of Posts and Telecommunications. He holds the title of a Property Management Enterprise Manager (物業管理企業經理).

Mr. Huang Rongbin (黃榮彬) ("Mr. Huang"), aged 41, joined the Group in 2021. He is the assistant president of Shenzhen Colour Life and is in charge of the community asset management division. He is responsible for the Group's asset management business. Prior to joining the Group, he worked in Fantasia China from 2014 to 2020. His last position was person-in-charge of the small loan business division. Mr. Huang obtained a bachelor's degree in management from Jinan University.

BIOGRAPHIES OF DIRECTORS AND SENIOR MANAGEMENT

Mr. Liu Luanxi (劉鑾喜) ("Mr. Liu"), aged 48, joined the Group in 2005. He is currently the assistant president of Shenzhen Colour Life and the president of Southern China region of the Group, responsible for the overall operational management of the Group's projects in Southern China region. Mr. Liu has 18 years of experience in property management. Mr. Liu obtained a bachelor's degree in business administration from Nankai University in 2019. He was awarded 2022 Top 100 Property Manager of the PRC and is currently the president of Shenzhen Luohu District Property Service Industry Association (深圳市羅湖區物業服務行業協會).

Mr. Xu Jun (徐君) ("Mr. Xu"), aged 50, joined the Group in 2015. He is currently the assistant president and the president of Southwestern China region. Prior to joining the Group, Mr. Xu worked in Chengdu Heli Property Management Co., Ltd. from 2004 to 2015 and has been the deputy general manager and general manager successively. He has 25 years of experience in property management. Mr. Xu graduated from Chengdu University of Technology in June 1995 and obtained a bachelor's degree in business administration from University of Electronic Science and Technology of China in January 2023. He holds the title of Certified Property Manager and Economics Professional Qualification. He acted as the Chengdu Property Management Industry Expert in 2015 and has been the expert of Chengdu Housing and Urban-Rural Development Department (四川省住房和城鄉建設廳) from 2016 to 2023.

Ms. Liu Meige (劉美鴿) ("Ms. Liu"), aged 39, joined the Group in 2006. She is currently the assistant president of the Shenzhen Colour Life and the president of Northwestern China region of the Group. Ms. Liu has 17 years of experience in property management. Ms. Liu obtained a bachelor's degree in accounting from Central South University in 2013.

REPORT OF DIRECTORS

The board of directors (the "Board") is pleased to present the annual report together with the audited consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively, the "Group") for the year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The Company is an investment holding company. The activities of its principal subsidiaries are set out in note 43 to the consolidated financial statements.

RESULTS AND BUSINESS REVIEW

The results of the Group for the year ended 31 December 2023 are set out in the consolidated statement of profit or loss and other comprehensive income on page 71. A fair review of the business of the Group and a discussion and analysis of the Group's performance during the year and the material factors underlying its results and financial position are provided in the Chairman's Statement and Management Discussion and Analysis sections respectively from pages 10 to 16 and 17 to 28 of this annual report. The future development of the Group's business is discussed throughout this annual report including in the Chairman's Statement from pages 10 to 16 of this annual report. In addition, more details regarding the Group's performance by reference to environmental and social-related key performance indicators and policies, as well as compliance with relevant laws and regulations which have a significant impact on the Group, are provided in the Corporate Governance Report from pages 54 to 63 of this annual report and the Environmental, Social and Governance Report (the "ESG Report") which will be published separately.

DIVIDEND

The Board does not recommend the payment of a final dividend for the year ended 31 December 2023.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining shareholders of the Company who are entitled to attend and vote at the forthcoming annual general meeting of the Company to be held on Wednesday, 22 May 2024 ("AGM"), the register of members of the Company will be closed from Friday, 17 May 2024 to Wednesday, 22 May 2024, both days inclusive. In order to qualify as shareholders of the Company to attend and vote at the AGM, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates 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 not later than 4:30 p.m. on Thursday, 16 May 2024.

SHARE CAPITAL

As at 31 December 2023, the total number of issued shares of the Company was approximately 1,487,526,000 (31 December 2022: 1,487,526,000) and the share capital was RMB120,750,000 (31 December 2022: RMB120,750,000).

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 15 to the consolidated financial statements.

DISTRIBUTABLE RESERVES OF THE COMPANY

Distributable reserves of the Company as at 31 December 2023, calculated under the Cayman Islands Companies Law, amounted to RMB1,880 million (2022: RMB1,882 million) representing share premium of RMB1,739 million and retained earnings of RMB141 million.

DIRECTORS AND DIRECTORS' SERVICE CONTRACTS

The Directors during the year and up to the date of this report were:

Executive Directors:
Mr. Pan Jun *(Chairman and Acting Chief Executive Officer) (resigned on 11 September 2023)*
Mr. Chen Xinyu *(resigned on 23 June 2023)*
Mr. Zhu Guogang *(resigned on 21 June 2023)*
Mr. Liu Hongcai
Ms. Yang Lan *(appointed on 21 June 2023)*

Non-executive Directors:
Mr. Wu Qingbin *(Vice Chairman) (resigned on 11 September 2023)*
Mr. Zheng Hongyan *(resigned on 11 September 2023)*
Ms. Sun Dongni *(resigned on 11 September 2023)*
Mr. Zhu Jindong *(appointed on 11 September 2023)*
Mr. Timothy David Gildner *(appointed on 11 September 2023)*
Mr. Chen Wenjian *(appointed on 11 September 2023)*

Independent non-executive Directors:
Mr. Xu Xinmin *(resigned on 18 December 2023)*
Mr. Zhu Wuxiang *(resigned on 25 September 2023)*
Mr. Lee Yan Fai *(appointed on 14 June 2023)*
Mr. Zhang Raymond *Yue (appointed on 25 September 2023)*
Ms. Yu Shan *(appointed on 15 March 2024)*

On 14 June 2023, Mr. Lee Yan Fai was appointed as the independent non-executive director of the Company. On 21 June 2023, Ms. Yang Lan was appointed as the executive director of the Company. At the AGM held on 11 September 2023, Mr. Zhu Jindong, Mr. Timothy David Gildner and Mr. Chen Wenjian were appointed as non-executive Directors. On 25 September 2023, Mr. Zhang Raymond Yue was appointed as an independent non-executive director of the Company. On 15 March 2024, Ms. Yu Shan was appointed as an independent non-executive director of the Company.

In accordance with Article 83 of the existing Articles, Mr. Timothy David Gildner, Mr. Chen Wenjian, Mr. Zhang Raymond Yue and Ms. Yu Shan shall hold office until the AGM and are eligible and willing to stand for re-election at the AGM.

REPORT OF DIRECTORS

In accordance with Article 84 of the existing Articles, one-third of then directors are required to retire by rotation at each annual general meeting. Mr. Liu Hongcai and Ms. Yang Lan will retire by rotation and will be eligible for re-election.

No Director proposed for re-election at the AGM has entered into a service contract with the Company or any of its subsidiaries which is not determinable by the employing Company within one year without payment of compensation other than statutory compensation.

SENIOR MANAGEMENT'S EMOLUMENTS

Pursuant to code provision B.1.5, the annual remuneration of the members of the senior management (other than Directors) by bands for the year ended 31 December 2023 is set out below:

	Number of individuals
Nil to HK$1,000,000	3
HK$1,000,000 to HK$2,000,000	4
HK$2,000,000 to HK$3,000,000	–
HK$3,000,000 to HK$4,000,000	–
Above HK$4,000,000	–
	7

Details of the remuneration of each of the Directors for the year ended 31 December 2023 are set out in note 12 to the consolidated financial statements.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS IN THE SECURITIES OF THE COMPANY AND ITS ASSOCIATED CORPORATIONS

As at 31 December 2023, the interests and short positions of the directors of the Company (the "Directors") and the chief executive of the Company in the shares, underlying shares and debentures of the Company or of any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")) of the Company, as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix C3 to the Rules Governing the Listing of Securities on the Stock Exchange ("the Listing Rules") were as follows:

Long positions in the shares and underlying shares of the Company

Name of director	Capacity/Nature of interest	Number of shares held	Number of underlying shares held	Total	Approximate percentage of issued share capital
Mr. Liu Hongcai	Beneficial owner	–	291,150[1]	291,150	0.00%

Notes:

(1) The relevant interests are unlisted physically settled options granted pursuant to the share option scheme of the Company.

(2) As at 31 December 2023, the total number of issued shares of the Company is 1,487,525,754.

Save as disclosed above, as at 31 December 2023, none of the Directors and chief executive of the Company had any interests or short position in the shares and underlying shares of the Company or any of its associated corporations (within the meaning of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Part XV of the SFO (including the interests and short positions which the Director is taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to the Model Code to be notified to the Company and the Stock Exchange.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SECURITIES OF THE COMPANY

As at 31 December 2023, so far as the Directors are aware and as set out in the register kept under Section 336 of the SFO, the following companies and persons (other than the Directors and chief executives of the Company) had interest or short position in the shares and underlying shares of the Company which fell to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO:

Name of substantial shareholders	Capacity	Number of Shares held	Approximate percentage of issued share capital
Ms. Zeng Jie, Baby	Interest of controlled corporation (note 2)	1,013,643,318 (L) (note 1)	68.14%
Ice Apex Limit	Interest of controlled corporation	782,407,472 (L)	52.60%
Fantasy Pearl International Limited ("Fantasy Pearl")	Interest of controlled corporation	780,104,676 (L)	52.44%
	Beneficial owner	2,302,796 (L)	0.15%
Fantasia	Beneficial owner	780,104,676 (L)	52.44%
Jovial New Limited	Interest of controlled corporation	231,235,846	15.54%
Delight Vision Holdings Limited	Interest of controlled corporation	231,235,846	15.54%
Splendid Fortune Enterprise Limited	Beneficial owner	231,235,846 (L)	15.54%

Notes:

(1) These shares comprises (i) 780,104,676 shares held by Fantasia; (ii) 2,302,796 shares beneficially owned by Fantasy Pearl and (iii) 231,235,846 shares beneficial owned by Splendid Fortune Enterprise Limited.

(2) The Company is owned as to 52.44% by Fantasia. Fantasia is owned as to 57.41% by Fantasy Pearl, which is owned as to 80% by Ice Apex and 20% by Graceful Star. Ice Apex is wholly owned by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Fantasia for the purpose of Part XV of the SFO.

(3) Splendid Fortune is 67.36% owned by Delight Vision Holdings Limited and 32.64% owned by Colour Success Limited. Delight Vision Holdings Limited wholly-owned by Jovial New Limited which is owned as to 100% by Ms. Zeng Jie, Baby. Accordingly, Ms. Zeng Jie, Baby is deemed to be interested in the shares of the Company held by Splendid Fortune for the purpose of Part XV of the SFO.

Save as disclosed above, as at 31 December 2023, no other persons (other than the Directors and chief executives of the Company) had any interests or short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of the SFO.

SHARE OPTION SCHEME

The Company adopted a share option scheme ("Share Option Scheme") by the written resolutions of the shareholders of the Company passed on 11 June 2014. The terms of the Share Option Scheme are in accordance with the provisions of Chapter 17 of the Listing Rules.

The Share Option Scheme is a share incentive scheme and is established to recognise, acknowledge and reward Eligible Participants (as defined herein) who have contributed to the Group and to encourage Eligible Participants to work towards enhancing the value of the Company. Eligible Participants of the Share Option Scheme include Directors and employees of the Group and any advisors, consultants, distributors, suppliers, agents, customers, and such other persons who the Board considers, in its sole discretion, have contributed or will contribute to the Group.

The maximum number of shares in respect of which options may be granted under the Share Option Scheme and any other share option scheme by the Company must not in aggregate exceed 10% of the total number of shares in issue immediately following the listing of the shares of the Company on the Stock Exchange, unless with the prior approval from the Company's shareholders. As at the date of this annual report, the total number of shares available for issue under the Share Option Scheme is approximately 45,532,000, representing 3.06% of the total number of shares of the Company in issue. The total number of shares issued and to be issued in respect of which options may be granted under the Share Option Scheme to each Eligible Participants in any 12-month period up to the date of grant shall not exceed 1% of the shares in issue at the date of grant, unless with the prior approval from the Company's shareholders and with such participants and his associates abstaining from voting. Options granted to any Director, chief executive or substantial shareholder of the Company, or any of their respective associates, shall be subject to the prior approval of the independent non-executive Directors. Where any option granted to a substantial shareholder or an independent non– executive Director, or any of their respective associates, would result in the shares issued and to be issued upon exercise of all options already granted and to be granted to such person in the 12 month period, (i) representing in aggregate over 0.1% of the shares in issue and the date of such grant; and (ii) having an aggregate value, based on the closing price of the shares, in excess of HK$5 million, such grant of options shall be subject to prior approval of the Company's shareholders in general meeting by way of poll.

An offer of a grant of an option under the Share Option Scheme shall remain open for acceptance for 30 days from the date of grant. Upon acceptance of the option, the grantee shall pay HK$1 (or an equivalent amount in RMB) to the Company by way of consideration for the grant. The subscription price shall be determined by the Board in its absolute discretion, and in any event shall not be less than the highest of (i) the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of grant, (ii) the average closing price of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date of grant, and (iii) the nominal value of a share. An option may be exercised in accordance with the terms of the Share Option Scheme at any time after the date upon which the option is deemed to be granted and accepted and prior to the expiry of 10 years from that date. The period during which an option may be exercised will be determined by the Board in its absolute discretion, save that no option may be exercised more than 10 years after it has been granted. No option may be granted more than 10 years after the date of approval of the Share Option Scheme. Subject to earlier termination by the Company in general meeting or by the Board, the Share Option Scheme shall be valid and effective for a period of 10 years from the date of adoption.

REPORT OF DIRECTORS

For the year ended 31 December 2023, details of movements in the share options under the Share Option Scheme are as follows:

				Number of share options				
Name of grantee	Date of grant	Exercise price HK$	Balance as at 1 January 2023	Granted during the Period	Exercised during the Period	Cancelled/ lapsed during the Period	Balance as at 31 December 2023	Notes
Directors								
Mr. Liu Hongcai	29 September 2014	6.66	450	–	–	–	450	(1)
			300	–	–	–	300	(2)
	30 April 2015	11.00	168,400	–	–	–	168,400	(3)
	18 March 2016	5.764	122,000	–	–	–	122,000	(4)
Sub-total			291,150	–	–	–	291,150	
Employees of the Group	29 September 2014	6.66	5,850,440	–	–	(1,143,890)	4,706,550	(1)
			6,908,771	–	–	(1,179,595)	5,729,176	(2)&(5)
	30 April 2015	11.00	9,852,635	–	–	(1,285,316)	8,567,319	(3)
	18 March 2016	5.764	10,409,000	–	–	(1,035,700)	9,373,300	(4)
	27 November 2018	4.11	17,364,720	–	–	(500,000)	16,864,720	(6)
Sub-total			50,385,566	–	–	(5,144,501)	45,241,065	
Total			**50,676,716**	–	–	**(5,144,501)**	**45,532,215**	

Notes:

(1) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the date of grant; (ii) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; and (iii) the remaining one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016. The exercise period of these share options will expire on 28 September 2024.

(2) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 29 September 2015; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 29 September 2016; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 29 September 2017. The exercise period of these share options will expire on 28 September 2024.

(3) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 30 April 2016; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 30 April 2017; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 30 April 2018. The exercise period of these share options will expire on 29 April 2025.

(4) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 18 March 2017; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 18 March 2018; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 18 March 2019. The exercise period of these share options will expire on 17 March 2026.

(5) The exercise period of 150,000 share options granted to Mr. Zeng Liqing, who resigned as non-executive Director on 21 April 2015, has been extended at the discretion of the Board.

(6) Such share options shall be vested in three tranches in accordance with the following dates: (i) one third of which shall be vested on the first anniversary of the date of grant, i.e. 27 November 2019; (ii) one third of which shall be vested on the second anniversary of the date of grant, i.e. 27 November 2020; and (iii) the remaining one third of which shall be vested on the third anniversary of the date of grant, i.e. 27 November 2021. The exercise period of these share options will expire on 17 March 2028.

Share Aware Scheme

The Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 to provide incentives or rewards for certain employees and consultants of the Group for their contribution to the Group.

The Share Award Scheme has a term of five years from the adoption date. Pursuant to the Share Award Scheme, the Company will entrust an independent trustee (the "Trustee") to purchase existing Shares in the open market and award such Shares to the selected participants as based on the Company's overall remuneration incentive plan. The Trustee will hold such Shares on behalf of the relevant selected participants on trust, until such Shares are vested with the relevant selected participants in accordance with the vesting conditions of the award and the rules of the Share Award Scheme.

During the year ended 31 December 2023, the Trustee had not acquired any Shares in accordance with the Share Award Scheme. For the year ended 31 December 2023, no share award were granted under the Share Award Scheme. Details of the Share Award Scheme during the year are set out in note 35 to the consolidated financial statements of the Company.

EQUITY-LINKED AGREEMENT

No equity-linked agreements were entered into by the Company, during the year ended 31 December 2023 or subsisted at 31 December 2023.

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

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

MATERIAL ACQUISITIONS AND DISPOSALS

On 28 September 2021, the Company as vendor, Shenzhen Colour Life Services Group Co., Limited ("Shenzhen Colour Life") as guarantor, Country Garden Property Services HK Holdings Company Limited as purchaser ("Country Garden") and Link Joy Holdings Group Co., Limited ("Link Joy") entered into the share transfer agreement ("Share Transfer Agreement")in relation to the sale of the entire issued share capital of Link Joy ("Sale Share") at an aggregated consideration of RMB3,300 million. The first installment of consideration of RMB2,300 million was settled by Country Garden upon entering into the Share Transfer Agreement.

Subsequently, the Company as borrower, Shenzhen Colour Life as guarantor and Country Garden as lender, entered into a loan agreement dated 30 September 2021 ("Loan Agreement"). Under the Loan Agreement, Country Garden provided a loan in the amount of RMB700 million (the "Loan") to the Company. The proceeds of the Loan was applied for the general working capital and repayment of debts of the Group. As security for repayment of the Loan, the Sale Share was charged in favour of Country Garden.

The Loan was not repaid when it became due on 4 October 2021. Country Garden enforced the charge on the Sale Share. Subsequently, the parties to the Share Transfer Agreement commenced negotiation for an agreement to supplement the Share Transfer Agreement, which took into account the transfer of the Sale Share by enforcement.

On 28 March 2022, the Group and Country Garden (among others) entered into the Supplemental Agreement to supplement the terms of the Share Transfer Agreement. Pursuant to the Supplemental Agreement, the balance of the consideration under the Share Transfer Agreement will be payable as follows:

(i) the amount of RMB700 million will be set off against the loan of RMB700 million that has been advanced by Country Garden to the Group under the Loan Agreement. Upon the set-off, the Company will be deemed to have discharged its payment obligation under the Loan Agreement in full; and

(ii) the balance of RMB300 million will be payable in two instalment, subject to certain conditions precedents.

As the highest applicable percentage ratios (as defined under the Listing Rules) in respect of the transfer of the Sale Share under the Share Transfer Agreement is more than 75%, the transfer constitutes a very substantial disposal of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules. A circular containing further information about transfer of the Sale Share under the Share Transfer Agreement will be despatched to the shareholders. An extraordinary general meeting was held on 11 September 2023 to approve and ratify the transactions contemplated under the Share Transfer Agreement and Supplemental Agreement.

On 22 December 2023, all the conditions to the Disposal have been satisfied.

Please refer to the Company's announcements dated 26 October 2021, 28 March 2022 and 22 December 2023 for further details of the transfer of the Sale Share.

DETAILS OF FUTURE PLANS FOR SIGNIFICANT INVESTMENTS OR PURCHASING CAPITAL ASSETS OF THE GROUP AND THEIR EXPECTED SOURCE OF FUNDING IN THE COMING YEAR

The Company will plan for significant investments according to the strategic objectives and business requirements.

RIGHTS TO ACQUIRE SHARES

Save for the share options granted to the Directors, at no time during the year was the Company, or its holding company, subsidiaries or fellow subsidiaries a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

DIRECTORS' INTERESTS IN TRANSACTION, ARRANGEMENT OR CONTRACT OF SIGNIFICANCE

Other than those transactions disclosed in the paragraph "Connected Transactions" and "Continuing Connected Transactions", no transaction, arrangement or contract of significance, to which the Company, its holding company, its controlling shareholders, fellow subsidiaries or subsidiaries was a party and in which a Director or an entity connected with a Director had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

MANAGEMENT CONTRACT

No contracts concerning the management and administration of the whole or any substantial part of the Group's business subsisted during the financial year under review.

CONTRACTS OF SIGNIFICANCE

During the year under review, save as disclosed in the paragraph headed "Continuing Connected Transactions" in this annual report, there had been no contract of significance between the Company or any of its subsidiaries and a controlling shareholder (as defined in the Listing Rules) of the Company or any of its subsidiaries.

INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company has received, from each of the independent non-executive Directors, an annual confirmation of his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers all the independent non-executive Directors are independent.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31 December 2023, the aggregate sales attributable to the five largest customers of the Group accounted for less than 30% of the Group's total sales in the year.

During the year ended 31 December 2023, the aggregate purchases attributable to the five largest suppliers of the Group accounted for less than 30% of the Group's total purchases.

None of the Directors, their close associates or any shareholders (which to the knowledge of the Director owned more than 5% of the Company's issued share capital) had any interests in the Group's five largest customers or suppliers.

CONTINUING CONNECTED TRANSACTIONS

The Company has entered into the following continuing connected transactions during the year ended 31 December 2023. Details of the transactions are set out in note 44 to the consolidated financial statements and below:

1. **Provision of Engineering Services by Shenzhen Kaiyuan Tongji Building Technology Co., Ltd. ("Shenzhen Kaiyuan Tongji ") to the Fantasia Group**

   On 11 June 2014, Shenzhen Kaiyuan Tongji, an indirect wholly-owned subsidiary of the Company, entered into an engineering services framework agreement (the "2014 Engineering Services Agreement") with Fantasia Group (China) Co., Ltd. ("Fantasia China Group") and Shenzhen Fantasia Real-estate Group Ltd. ("Shenzhen Fantasia"), each an indirect wholly-owned subsidiary of the Fantasia Holdings, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide engineering services, including but not limited to installation and fitting of power systems, energy-saving lights and other related services to the Fantasia Group in respect of certain properties developed by each of them (the "Engineering Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Engineering Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Engineering Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Engineering Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2017 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB40.0 million, RMB40.5 million and RMB41.0 million for each of the years ended 31 December 2017, 2018 and 2019 respectively.

The 2017 Engineering Services Agreement expired on 31 December 2019. On 31 December 2019, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2020 Engineering Services Agreement, pursuant to which, Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2020 to 31 December 2022 and subject to the annual caps of not exceeding RMB60.0 million, RMB70.0 million and RMB75.0 million for each of the years 2020, 2021 and 2022 respectively.

On 29 December 2023, Shenzhen Fantasia and Shenzhen Kaiyuan Tongji entered into the 2023 Engineering Services Agreement, pursuant to which Shenzhen Kaiyuan Tongji agreed to provide Engineering Services to the Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2023 to 31 December 2025 and subject to the annual caps of not exceeding RMB7 million, RMB8.6 million and RMB8.6 million for each of the years 2023, 2024 and 2025 respectively.

For the year ended 31 December 2023, the provision of the Engineering Services amounted to RMB6.2 million (31 December 2022: RMB1.0 million), which was within the annual cap of RMB7.0 million (31 December 2022: RMB75.0 million) for the same period.

2. Provision of Pre-delivery Property Management Services by Shenzhen Colour Life Property Management Co., Ltd. ("Shenzhen Colour Life Property Management") to the Fantasia Group

On 11 June 2014, Shenzhen Colour Life Property Management, an indirect wholly-owned subsidiary of the Company, entered into a pre-delivery property management services framework agreement (the "2014 Pre-delivery Property Management Services Agreement") with Fantasia China Group and Shenzhen Fantasia, each an indirect wholly–owned subsidiary of the Fantasia Group, pursuant to which Shenzhen Colour Life Property Management agreed to provide pre-delivery property management services which can be categorized into services to be provided at the pre-sale and pre-delivery stages, including but not limited to (i) the provision of on-site security, cleaning and other related services as well as customer services to be provided to the property sales centre of the Fantasia Group such as concierge services, customer car parking guidance at the pre-sale stage and (ii) the provision of operations and management services at the pre-delivery stage for the unsold portion of the property developments, the Fantasia Group in respect of certain properties developed by it (the "Pre-delivery Property Management Services"), for a term commencing from the Listing Date and ending on 31 December 2016.

Each of Fantasia China Group and Shenzhen Fantasia is an indirect wholly-owned subsidiary of Fantasia Holdings, the controlling shareholder of the Company, and is therefore a connected person of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the 2014 Pre-delivery Property Management Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. Details of the 2014 Pre-delivery Property Management Services Agreement have been set out in the section "Connected transactions" in the Company's prospectus dated 17 June 2014.

The 2014 Pre-delivery Property Management Services Agreement expired on 31 December 2016. On 29 December 2016, Fantasia China Group, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2017 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2017 to 31 December 2019 and subject to the annual caps of not exceeding RMB23.0 million, RMB25.0 million and RMB28.0 million for each of the years ending 31 December 2017, 2018 and 2019 respectively.

The 2017 Pre-delivery Property Management Services Agreement expired on 31 December 2019. The 2019 Pre-delivery Property Management Services Agreement expired on 31 December 2023. On 29 December 2023, Shenzhen Fantasia and Shenzhen Colour Life Property Management entered into the 2023 Pre-delivery Property Management Services Agreement, pursuant to which, Shenzhen Colour Life Property Management agreed to provide Pre-delivery Property Management Services to Fantasia Group on terms no less favourable than those offered by independent third parties to Fantasia Group for comparable services for a term of three years commencing from 1 January 2023 to 31 December 2025 and subject to the annual caps of not exceeding RMB10.0 million, RMB12.0 million and RMB12.0 million for each of the years ending 31 December 2023, 2024 and 2025 respectively.

For the year ended 31 December 2023, the amounts paid/payable to the Group for the provision of Pre-delivery Property Management Services amounted to RMB3.0 million (31 December 2022: RMB4.7 million), which was within the annual cap of RMB10.0 million (31 December 2022: RMB100.0 million) for the same period.

3. Structured Contracts

Pursuant to the Catalogue of Industries for Guiding Foreign Investment (2011 version) (《外商投資產業指導目錄》(2011年修訂)), value-added telecommunications service is subject to foreign investment restriction in which a foreign investor shall hold no more than 50% equity interest in a value-added telecommunications services provider in the PRC. Internet content provision services, or ICP services, belong to a subcategory of value-added telecommunications services. The Company's PRC legal advisor (the "Legal Advisor") has advised that the community leasing, sales and other services provided by Shenzhen Colour Life Network Service through the Company's website constitute value-added telecommunications services. According to the Administrative Rules for Foreign Investment in Telecommunications Enterprises (《外商投資電信企業管理規定》), foreign investors shall contribute no more than 50% of the registered capital of a value-added telecommunications services provider and any such foreign investor shall maintain a good track record and possess relevant operational experience in the value-added telecommunication services industry (the "Qualification Requirement").

Based on consultations with the relevant personnel responsible for the approval of value-added telecommunications services at MIIT and the Guangdong Communications Administration Bureau (廣東省通信管理局), the Legal Advisor has advised that in order to demonstrate that it has satisfied the Qualification Requirement, a foreign investor shall provide the competent PRC authority with its telecommunications services business operating license issued by the relevant authority at its place of registration (equivalent of the ICP License issued by the Ministry of Industry and Information Technology of the PRC (the "MIIT") and its financial reports of the most recent three years. However, the MIIT did not specify during the Legal Advisor's consultations what would constitute "a good track record" and "relevant operational experience" and there are no specific written guidelines in this regard or in respect of whether and what type of documentation is required to establish the requisite credentials in cases where there is no telecommunications service business licensing regime in the jurisdiction or country in which the foreign investor provides the relevant telecommunication services.

As for the legality of the contractual arrangements, the Legal Advisor to the Company on PRC law, after taking reasonable actions and steps to reach its legal conclusions including consulting the MIIT where the representative stated that there is no regulation enforceable or promulgated by the MIIT which prohibits or restricts the operation of value-added telecommunication businesses by foreign investors through contractual arrangements such as the Structured Contracts, are of the view that each of the Structured Contracts individually and collectively do not violate any of the applicable PRC laws and regulations. Legal Advisor is also of the view that the MIIT is the competent regulatory authority to give such assurance and interpret the Structured Contracts.

Based on the above-mentioned restriction under the relevant laws and regulations of the PRC, the Group is not entitled to acquire the equity interest in Shenzhen Caizhiyun Network Technology Co., Ltd. ("Shenzhen Caizhiyun Network"). To enable the Group to continue to manage and operate the online business of Shenzhen Caizhiyun Network and be entitled to all the economic benefits generated from such online business of Shenzhen Caizhiyun Network, Shenzhen Colour Life Network Service, Shenzhen Caizhiyun Network, Mr. Pan Jun entered into the exclusive management and operation agreement, the call option agreement, the shareholders' rights entrustment agreement, the equity pledge agreement and the power of attorney (collectively the "Structured Contracts") on 16 June 2014 such that the Group are entitled to all the economic benefits generated from online community leasing, sales and other services business of Shenzhen Caizhiyun Network (the "Contractual Arrangement"). The Structured Contracts have an initial term of 10 years which is renewable for a successive term of 10 years. The Company is exploring various opportunities in building up our community leasing, sales and other services business operations overseas for the purposes of being qualified as early as possible, to acquire the entire equity interest of Shenzhen Caizhiyun Network if and when the restrictions under the relevant PRC law on foreign ownership in value-added telecommunication enterprises are lifted. For details of the Structured Contracts, please refer to the section headed "History, Reorganization and the Group Structure — The Structured Contracts" in the Company's prospectus dated 17 June 2014.

Upon signing of the Structured Contracts, Shenzhen Caizhiyun Network was treated as a wholly-owned subsidiary of the Company and the accounts of which are consolidated with those of the Company. Given the registered capital of Shenzhen Caizhiyun Network is held as to 70% by Mr. Pan Jun, an executive director at the time of the signing of the Structured Contracts who resigned as a director of the Company on 11 September 2023, Mr. Pan Jun is therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the transactions contemplated under the Structured Contracts therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Save for the exclusive management and operation agreement which involves the payment of a service fee by Shenzhen Caizhiyun Network to Shenzhen Colour Life Network Service on an annual basis, each of the Structured Contracts does not involve payment of any consideration.

The Structured Contracts, taken as a whole, permit the results and financial operations of Shenzhen Caizhiyun Network to be consolidated in the Company, as if it was the Company's subsidiary resulting in all economic benefits of its business flowing to the Company. Through the appointment by Shenzhen Colour Life Network Service of all directors and senior management of Shenzhen Caizhiyun Network, the Directors believe that Shenzhen Colour Life Network Service is able to effectively supervise, manage and operate the business operations, expansion plans, financial policies and assets of Shenzhen Caizhiyun Network, and at the same time, ensure due implementation of the Structured Contracts. According to Hong Kong Financial Reporting Standards, a subsidiary is an entity that is controlled by another entity (known as the parent). An investor controls an investee when it is exposed, or has rights to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Although the Company does not directly or indirectly own Shenzhen Caizhiyun Network, the Structured Contracts enable the Company to exercise control over and receive economic benefits generated from the business operation of Shenzhen Caizhiyun Network and the validity and legality of the Structured Contracts have been confirmed by the Company's PRC legal advisor. The Group derives economic benefits from the online community leasing, sales and other services provided by Shenzhen Caizhiyun Network through the website and mobile applications to the residents in the residential communities that the Group manages or provides consultancy services to. Under such circumstances, the Directors are of the view that it is fair and reasonable for Shenzhen Colour Life Network Service to be entitled to all the economic benefits generated from Shenzhen Caizhiyun Network. The Structured Contracts also permit Shenzhen Colour Life Network Service to exclusively acquire all or part of the equity interest in Shenzhen Caizhiyun Network, if and when permitted by PRC laws and regulations. Notwithstanding the Group's lack of equity ownership in Shenzhen Caizhiyun Network, the Group is able to control the business and financial position of Shenzhen Caizhiyun Network in substance through the Structured Contracts. As a result of the Structured Contracts, Shenzhen Caizhiyun Network is accounted for as the Company's subsidiary, and its financial position and operating results are consolidated in the Company's consolidated financial statements. The revenue and total asset value subject to the Contractual Arrangements amounted to approximately RMB3.5 million for the year ended 31 December 2023 and approximately RMB10.0 million as of 31 December 2023, respectively.

Pursuant to the Structured Contracts, any dispute arising from the interpretation and performance of the Structured Contracts between the parties thereto should first be resolved through negotiation, failing which any party may submit the said dispute to the South China International Economic and Trade Arbitration Commission with a view to resolving the dispute through arbitration in accordance with the arbitration rules thereof.

The Company had applied and the Stock Exchange had granted a waiver that the Structured Contracts are exempt from the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Pan Jun may potentially have a conflict of interest with the Group . Mr. Pan has undertaken to Shenzhen Colour Life Network Service that during the period when the Contractual Arrangement remains effective, (i) unless otherwise agreed to by Shenzhen Colour Life Network Service in writing, the relevant shareholder would not, directly or indirectly (either on his own account or through any natural person or legal entity) participate, or be interested, or engage in, acquire or hold (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may potentially be in competition with the businesses of Shenzhen Caizhiyun Network or any of its affiliates; and (ii) any of his actions or omissions would not lead to any conflict of interest between him and Shenzhen Colour Life Network Service (including but not limited to its shareholders). Furthermore, in the event of the occurrence of a conflict of interests (where Shenzhen Colour Life Network Service has the sole absolute discretion to determine whether such conflict arises), he agrees to take any appropriate actions as instructed by Shenzhen Colour Life Network Service.

Furthermore, the Group conducts its business operation in the PRC through Shenzhen Caizhiyun Network by way of Contractual Arrangements, but certain of the terms of the Contractual Arrangements may not be enforceable under the PRC laws. As advised by the Company's PRC legal advisers, the Contractual Arrangements were narrowly tailored to minimize the potential conflict with relevant PRC laws and regulations.

To ensure proper implementation of the Structured Contracts, the Company also takes the following measures:

(a) as part of the internal control measures, major issues arising from implementation and performance of the Structured Contracts was reviewed by the Board on a regular basis which was no less frequent than on a quarterly basis;

(b) matters relating to compliance and regulatory enquiries from governmental authorities (if any) was discussed at such regular meetings which was no less frequent than on a quarterly basis;

(c) the relevant business units and operation divisions of the Group reported regularly, which was no less frequent than on a monthly basis, to the senior management of the Company on the compliance and performance conditions under the Structured Contracts and other related matters;

(d) the compliance department of the Company monitors the proper implementation and Mr. Pan Jun's compliance with the Structured Contracts; and

(e) also, pursuant to the exclusive management and operation agreement, the bank accounts of Shenzhen Caizhiyun Network were operated through its company seal and the personal seal of a director nominated by Shenzhen Colour Life Network Service. The company seal is currently kept by the President's Office.

The Board confirmed that there is no material change in the Contractual Arrangements and/or the circumstances under which they were adopted, and its impact on the Group. The Board also confirmed that there is no unwinding of Structured Contracts or failure to unwind when the restrictions that led to the adopted of Structured Contracts are removed.

The independent non-executive Directors of the Company, namely Mr. Lee Yan Fai, Mr. Zhang Raymond Yue and Ms. Yu Shan, have reviewed the Structured Contracts and confirmed that (i) the transactions carried out during such year have been entered into in accordance with the relevant provisions of the Structured Contracts so that the revenue generated by Shenzhen Caizhiyun Network and its subsidiaries have been mainly retained by the Group; (ii) no dividends or other distributions have been made by Shenzhen Caizhiyun Network to its shareholders; and (iii) any new Structured Contracts entered into, renewed or reproduced between Shenzhen Caizhiyun Network and the Group during the year are fair and reasonable, or advantageous, so far as the Company are concerned and in the interests of the shareholders of the Company as a whole.

Pursuant to Rule 14A.55 of the Listing Rules, the independent non-executive Directors of the Company have discussed with the senior management of the Company on the agreements of the abovementioned continuing connected transactions and reviewed these continuing connected transactions and confirmed that the continuing connected transactions abovementioned have been entered into:

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

(ii) on normal commercial terms or better; and

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

For the purpose of Rule 14A.56 of the Listing Rules, Deloitte Touche Tohmatsu, the auditor of the Company, has provided a letter to the Board, confirming that nothing has come to their attention that causes them to believe the continuing connected transactions abovementioned:

(i) have not been approved by the Board;

(ii) are not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve provision of goods and services by the Group;

(iii) have not been entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and

(iv) have exceeded the annual caps.

OTHERS

The continuing connected transactions disclosed above also constitutes related party transaction under the International Financial Reporting Standards. A summary of significant related party transactions made during the year was disclosed in note 44 to the consolidated financial statements. Save for item (c) therein which also constitutes connected/continuing connected transactions as defined in Chapter 14A of the Listing Rules, other related party transactions do not constitute connected transactions as defined in Chapter 14A of the Listing Rules.

The Board confirms that the Company has complied with the disclosure requirements as required by the Listing Rules in relation to the aforementioned connected transactions or continuing connected transactions.

NON-COMPETITION DEED

On 11 June 2014, Fantasia Holdings executed in favour of the Company, a deed of non-competition (the "Existing Deed of Non-competition") pursuant to which Fantasia Holdings undertakes, among others, that during the period commencing from 30 June 2014 and until the earlier of (i) the date on which the Company's shares cease to be listed on the SEHK; or (ii) the date on which Fantasia Holdings cease to hold, whether directly or indirectly, 30% or more of the Company's shares:

(i) Fantasia Group will not engage in any business involving the following activities:

- property management focusing on residential communities;
- engineering services primarily including (i) equipment installation services, (ii) repair and maintenance services and (iii) automation and other equipment upgrade services through the Company's equipment leasing; or
- community leasing, sales and other services targeting residents residing at and property owners of the residential communities primarily including (i) common area rental assistance, (ii) purchase assistance and (iii) residential and retail units rental and sales assistance.

(ii) in relation to the residential communities developed by Fantasia Group, Fantasia Group will not participate in the property management of such properties but will select property management companies through a tendering process in which the Group will be invited to participate; and

(iii) if Fantasia Group has identified or is offered any project or new business opportunities to engage in or acquire a company engaging in property management for residential communities, it shall provide the Company (subject to such confidentiality requirements as may be applicable) all information and documents possessed by it in respect of such project or new business opportunity in relation to property management of residential communities to enable the Company to evaluate the merits of the same.

Over five years have passed since the Company and Fantasia Holdings entered into the Existing Non-Competition Deed, during which time the Group has specialised in the property management of residential communities, whereas the Fantasia Group has continued to operate as a property developer involving property management primarily for pure commercial properties.

During such period, the landscape of the PRC property management market has evolved rapidly, thus affecting the applicability and practicability of the Existing Non-Competition Deed which is archaic in nature. Many property projects in the PRC, in particular those of larger scale, have evolved from purely residential or commercial uses with limited ancillary support to integrated mixed-use properties. Such integrated mixed-use properties, being largescale complexes or areas which normally encompass several different types of properties such as residential properties, office buildings, shopping malls, leisure facilities, SOHO and serviced apartments, may also include government and public facilities such as schools, hospitals, banks and public transportation terminals. Such integrated mixed-use properties are vastly different in nature and purpose than the residential communities which were described as "mixed-use properties" as original envisaged when the Existing Non-Competition Deed was entered into. The Directors consider that the Existing Non-Competition Deed is no longer able to cover the ever-evolving trend of the property development industry in the PRC and the resulting property management services rendered.

To cope with the ever-intensive competition in the property management industry and to seize the ever-changing opportunities, the Company and Fantasia Holdings consider it desirable to amend the Existing Non-Competition Deed to cater for existing business and industry trends.

On 1 April 2020, Fantasia Holdings and the Company agreed to amend the Existing Non-Competition Deed and entered into an amended deed (the "Amended Non-Competition Deed"). Pursuant to the Amended Non-Competition Deed, the scope of the Existing Non-Competition Deed has been amended to include the following additional business which the Fantasia Group has undertaken not to be involved in:

- property management focusing on integrated mixed-use properties which contain residential components including but not limited to those properties developed by the Fantasia Group, save and except for those integrated mixed-use projects that are already under the management of the Fantasia Group on the date of the Amended Non-Competition Deed.

Furthermore, certain carve-outs in respect of residential communities and integrated mixed-use projects under the management of the Fantasia Group have been added.

The Amended Non-Competition Deed was approved at the extraordinary general meeting of the Company held on 24 April 2020 by the independent shareholder of the Company.

To ensure compliance of the Amended Non-Competition Deed, the Company will continue with the corporate governance measures which have been in place since its listing. In addition, additional internal control measures will be adopted by the Company and Fantasia Holdings to ensure the requirements and restrictions as set out in the Amended Non-Competition Deed are strictly adhered to. Further details about the corporate governance measures are disclosed in the circular of the Company dated 3 April 2020.

The independent non-executive directors had reviewed the status of compliance and the confirmation provided by the controlling shareholders as part of the annual review process. On the basis that: (i) the Company has received the confirmations from Fantasia regarding the Non-Competition Deed; (ii) there was no competing business reported by them; and (iii) there was no particular situation rendering the full compliance of the Non-Competition Deed being questionable, the independent non-executive directors are of the view that the Non-Competition Deed have been complied with and been enforced by the Company in accordance with the terms.

COMPLIANCE WITH LAWS AND REGULATIONS

Compliance procedures are in place to ensure adherence to applicable laws, rules and regulations in particular, those have significant impact on the Group, such as the Listing Rules and the Revised Hong Kong Financial Reporting Standards. The audit committee of the Company is delegated by the Board to monitor the Group's policies and practices on compliance with legal and regulatory requirements and such policies are regularly reviewed. Any changes in the applicable laws, rules and regulations are brought to the attention of relevant employees and relevant operation units from time to time. As far as the Company is aware, it has complied in material respects with the relevant laws and regulations that have a significant impact on the business and operation of the Company.

INTERESTS OF DIRECTORS IN COMPETING BUSINESS

Save as disclosed, during the year ended 31 December 2023, none of the Directors or any of their respective associates has engaged in any business that competes or may compete with the business of the Group or have any other conflict of interests with the Group.

REPORT OF DIRECTORS

EMOLUMENT POLICY

The Group's emolument policy is designed to attract, retain and motivate talented individuals to contribute to the success of the business. The emolument policy of the employees of the Group is formulated and reviewed by the remuneration committee of the Company ("Remuneration Committee") on the basis of their merit, qualifications and competence.

The emoluments of the Directors are proposed by the Remuneration Committee to the Board, having regards to the Group's operating results, individual performance and comparable market statistics.

The Group operates a Mandatory Provident Fund Scheme ("MPF Scheme") under rules and regulations of MPF Schemes Ordinance for all its employees in Hong Kong. All the employees of the Group in Hong Kong are required to join the MPF Scheme. Contributions are made based on a percentage of the employees' salaries and are charged to consolidated income statement as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme. No forfeited contribution is available to reduce the contribution payable in the future years as of 31 December 2023.

Total staff cost of RMB523 million was charged to the consolidated statement profit or loss and other comprehensive income, representing RMB4 million for the Directors' remuneration and RMB519 million for other staff's salaries and allowance.

The Group's subsidiaries in the PRC, in compliance with the applicable regulations of the PRC, participated in a state–managed retirement benefits scheme operated by the local government. The subsidiaries are required to contribute a specific percentage of their payroll costs to the retirement benefits schemes. The only obligation of the Group with respect to the retirement benefits scheme is to make the specified contributions. During the year under review, the total amounts contributed by the Group to the schemes and costs charged to the consolidated income statement represent contribution payable to the schemes by the Group at rates specified in the rules of the schemes.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's articles of association, or the applicable laws of the Cayman Islands where the Company is incorporated, which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

CORPORATE GOVERNANCE

The Directors recognise the importance of good corporate governance in the management of the Group. The Company has adopted the code provisions set out in the Corporate Governance Code (the "CG Code") contained in Appendix 14 (renamed as Appendix C3 with effect from 31 December 2023) to the Listing Rules.

The key corporate governance practices adopted by the Company are set out in the Corporate Governance Report in this annual report.

DIVIDEND POLICY

The Company has approved and adopted a dividend policy (the "Dividend Policy").

According to the Dividend Policy, the Company intends to declare dividends to shareholders every year and may declare special dividends from time to time. In deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account the Group's distributable profits generated during the year, the financial situation, the liquidity of cash flow, the investment needs and the retained profits for future development. While sharing the profit with shareholders, the Company shall also maintain sufficient reserves to ensure the implementation of the Group's strategy for development. The payment of dividend is also subject to any restrictions under the laws of Cayman Islands, the laws of Hong Kong and the articles of association of the Company.

SUFFICIENCY OF PUBLIC FLOAT

Based on information that is publicly available to the Company and within the knowledge of its Directors, the Company has maintained sufficient public float as required under the Listing Rules throughout the year ended 31 December 2023 and up to the latest practicable date prior to the issue of this annual report.

PERMITTED INDEMNITY PROVISION

The Company has taken out and maintained directors' and officers' liability insurance throughout the year, which provides appropriate cover for the directors and officers of the Company.

AUDITOR

With effect from 28 July 2022, Prism Hong Kong and Shanghai Limited (previously known as UniTax Prism (HK) CPA Limited) has been appointed as the new auditor of the Company.

The consolidated financial statements for the year ended 31 December 2023 have been audited by Prism Hong Kong and Shanghai Limited. A resolution for the re-appointment of Prism Hong Kong and Shanghai Limited as the Company's auditor will be proposed at the forthcoming AGM of the Company.

Save as disclosed above, there has been no other change of auditors for the preceding three years.

On behalf of the Board
Mr. Zhu Jindong
Chairman

Hong Kong, 28 March 2024

CORPORATE GOVERNANCE REPORT

CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintain high standards of corporate governance with a view to assuring the conduct of the management of the Company as well as protecting the interests of all shareholders. The Company has always recognised the importance of the shareholders' transparency and accountability. It is the belief of the Board that shareholders can maximise their benefits from good corporate governance. The Company has adopted the code provisions as set out in the Corporate Governance Code contained in Appendix C3 to the Listing Rules.

Mr. Xu Xinmin resigned as an independent non-executive director of the Company with effect from 19 December 2023. Since his resignation, the Company has not complied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules. Ms. Yu Shan was appointed as the independent non-executive director of the Company with effect from 15 March 2024. The Company has re-complied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules.

Save as disclosed above and elsewhere in this annual report, the Company has complied with all code provisions set out in the CG Code for the year ended 31 December 2023.

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

DIRECTORS' SECURITIES TRANSACTIONS

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 as Appendix C1 with effect from 31 December 2023) to the Listing Rules as its own code of conduct regarding securities transactions by the Directors and employees (the "Securities Dealing Code"). The Company had made specific enquiry of all Directors whether they have complied with the required standard set out in the Model Code during the year ended 31 December 2023 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code during the year ended 31 December 2023.

No incident of non-compliance of the Securities Dealing Code by the employees was noted by the Company.

BOARD OF DIRECTORS

The Board of the Company during the year and up to the date of this report was/is:

Executive Directors:
Mr. Pan Jun *(Chairman and Acting Chief Executive Officer) (resigned on 11 September 2023)*
Mr. Chen Xinyu *(resigned on 23 June 2023)*
Mr. Zhu Guogang *(resigned on 21 June 2023)*
Mr. Liu Hongcai
Ms. Yang Lan *(appointed on 21 June 2023)*

Non-executive Directors:
Mr. Wu Qingbin *(Vice Chairman) (resigned on 11 September 2023)*
Mr. Zheng Hongyan *(resigned on 11 September 2023)*
Ms. Sun Dongni *(resigned on 11 September 2023)*
Mr. Zhu Jindong *(appointed on 11 September 2023)*
Mr. Timothy David Gildner *(appointed on 11 September 2023)*
Mr. Chen Wenjian *(appointed on 11 September 2023)*

Independent non-executive Directors:
Mr. Xu Xinmin *(resigned on 18 December 2023)*
Mr. Zhu Wuxiang *(resigned on 25 September 2023)*
Mr. Lee Yan Fai *(appointed on 14 June 2023)*
Mr. Zhang Raymond *Yue (appointed on 25 September 2023)*
Ms. Yu Shan *(appointed on 15 March 2024)*

The biographical information of the directors are set out in the section headed "Biographies of Directors and Senior Management" on pages 29 to 33 of this annual report. The Board members have no financial, business, family or other material/relevant relationships with each other.

Chairman
Mr. Zhu Jindong was appointed as the chairman of the Board on 11 September 2023. Mr. Pan Jun retired at the AGM held on 11 September 2023.

Independent Non-executive Directors
Mr. Xu Xinmin resigned as an independent non-executive director of the Company with effect from 19 December 2023. Since his resignation, the Company has not complied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules. Upon the appointment of Ms. Yu as an independent non-executive director with effect from 15 March 2024, the Board consists of eight directors, including two executive directors, three non-executive directors and three independent non-executive directors. Independent non-executive directors account for more than one-third of the Board, and the Company has recomplied with Rules 3.10, 3.10A, 3.21 and 3.27A of the Listing Rules.

The independent non-executive Directors possess the respective professional qualifications and related management experience in the areas of financial accounting, business strategies and property management and have contributed to the Board with their professional opinions.

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

Directors' Re-election
Code provision B.2.2 of the CG Code stipulates that every Directors shall be appointed for a specific term, subject to re-election.

Each of the Directors is engaged on a service agreement (for Executive Directors) or an appointment letter (for Non-executive Directors and Independent Non-executive Directors) for a term of 3 years.

In accordance with the Company's Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meeting at least once every three years and any director appointed by the Board to fill a casual vacancy or as an addition to the Board shall hold office until the first general meeting or the next following annual general meeting, as the case may be, of the Company after his appointment and be subject to re-election at such meeting.

Responsibilities, Accountabilities and Contributions of the Board and Management

The Board is responsible for leadership and control of the Company and oversees the Group's businesses, strategic decisions and performance and is collectively responsible for promoting the success of the Company by directing and supervising its affairs. Directors of the Board take decisions objectively in the interests of the Company.

All Directors, including Non-executive Directors and Independent Non-executive Directors, have brought a wide spectrum of valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning.

All Directors have full and timely access to all the information of the Company. The directors may, upon request, seek independent professional advice in appropriate circumstances, at the Company's expenses for discharging their duties to the Company.

The directors shall disclose to the Company details of other offices held by them and the Board regularly reviews the contribution required from each director to perform his responsibilities to the Company.

The Board reserves for its decision all major matters relating to policy matters, strategies and budgets, internal control and risk management, material transactions (in particular those that may involve conflict of interests), financial information, appointment of directors and other significant operational matters of the Company. Responsibilities relating to implementing decisions of the Board, directing and coordinating the daily operation and management of the Company are delegated to the management.

Continuous Professional Development of Directors

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

Every newly appointed director will receive formal, comprehensive and tailored induction on the first occasion of his appointment to ensure appropriate understanding of the business and operations of the Company and full awareness of director's responsibilities and obligations under the Listing Rules and relevant statutory requirements.

Directors should participate in appropriate continuous professional development to develop and refresh their knowledge and skills to ensure that their contribution to the Board remains informed and relevant. Internally facilitated briefings for directors will be arranged.

The Company had from time to time provided relevant reading materials including the amendments to or updates on the relevant laws, rules and regulations to all directors for their reference and studying.

During the year under review, the Company held 4 board meetings and 2 general meetings, the attendance of each director are set out in "Attendance at Board Meetings, Board Committee Meetings and General Meetings" below.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The terms of reference of the Board committees are posted on the websites of the Company and of the Stock Exchange and are available to shareholders upon request.

All members of the Audit Committee and the majority of the members of the Remuneration Committee and Nomination Committee are independent non-executive Directors.

Audit Committee

The Audit Committee currently consists of all the three Independent Non-executive Directors, namely, Mr. Lee Yan Fai (chairman of audit committee), Mr. Zhang Raymond Yue and Ms. Yu Shan. None of the committee members is a former partner of the Company's existing external auditors.

The main duties of the Audit Committee are to assist the Board in reviewing the financial information and reporting process, internal control and risk management systems, making recommendations to the Board on the appointment and dismissal of the external auditors, and reviewing arrangements to enable employees of the Company to raise, in confidence, concerns about possible improprieties in financial reporting, internal control or other matters of the Company. The Audit Committee is also responsible for performing the Company's corporate governance functions set out in the code provision D.3.1 of the CG Code.

The Audit Committee held 2 meetings during the year ended 31 December 2023. The Audit Committee recommended the appointment of external auditors for the Company and reviewed the following including:

(a) the Company's policies and practices on corporate governance;

(b) training and continuous professional development of the Directors and senior management;

(c) the Company's policies and practices on compliance with legal and regulatory requirements;

(d) the compliance of the Model Code and the Securities Dealing Code; and

(e) the Company's compliance with the CG Code and disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee currently consists of three Independent Non-executive Directors, namely, Mr. Zhang Raymond Yue (chairman), Mr. Lee Yan Fai and Ms. Yu Shan.

The primary functions of the Remuneration Committee include making recommendations to the Board on the Company's policy and structure for all Directors' and senior management remuneration, making recommendations to the Board on the remuneration packages of individual executive Directors and senior management and ensuring that no director or any of his associates is involved in deciding his own remuneration.

The Remuneration Committee held 1 meetings during the year ended 31 December 2023. During the meeting, the Remuneration Committee reviewed, and recommended to the Board on the remuneration package of the Directors and senior management. The emolument policy of the Group are set out in the section headed "Emolument Policy" in the Report of Directors.

Nomination Committee

The Nomination Committee currently consists one Non-executive Director, namely, Mr. Zhu Jindong (chairman); and two Independent Non-executive Directors, namely Mr. Zhang Raymond Yue and Ms. Yu Shan.

The Nomination Committee shall perform the following duties:

(a) ensure that the Board and its committees consist of directors with the appropriate balance of skills, diversity and knowledge of the Company to enable it to discharge its duties effectively;

(b) assist the Board in succession planning for the Board and senior management;

(c) review the structure, size and composition (including the skills, knowledge and experience) of the Board on a regular basis at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) draw up, review and update, as appropriate, the diversity policy for the Board's approval having due regard to the requirements of the Listing Rules, review and update the objectives that the Board has set for implementing such policy;

(e) develop, review and implement, as appropriate, the policy, criteria and procedures for the identification, selection and nomination of candidates for Directors for the Board's approval. Such criteria include but are not limited to the potential contributions a candidate can bring to the Board in terms of qualifications, skills, experience, independence and gender diversity;

(f) identify individuals who are suitably qualified to become Board members and select or make recommendations to the Board on the selection of individuals nominated for directorships;

(g) assess the independence of independent non-executive Directors to determine their eligibility;

(h) make recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors and senior management, in particular the chairman and the chief executive officer, taking into account all factors which the Nomination Committee considers appropriate including the challenges and opportunities facing the Group and skills and expertise required in the future and ensure that senior management succession planning is discussed at the Board at least once annually;

(i) keep under review the leadership needs and leadership training and development programmes of the Group, with a view to ensuring the continued ability of the Group to function effectively and compete in the market;

(j) evaluate the needs for, and monitor the training and development of, directors;

(k) develop the procedures for the performance evaluation of the Board committees:

  (i) review and assess the skills, knowledge and experience required to serve on various Board committees, and make recommendations on the appointment of members of Board committees and the chairman of each committee;

  (ii) recommend candidates to the Board to fill vacancies or new positions on the Board committees as necessary or desirable;

  (iii) review the feedback in respect of the role and effectiveness of the Board committees arising from the evaluation of the Board and/or any Board committees and make recommendations for any changes;

(l) develop the criteria for identifying and assessing the qualifications of and evaluating candidates for directorship, including but not limited to evaluating the balance of skills, knowledge and experience on the Board, and in the light of this evaluation prepared a description of the role and capabilities required for a particular appointment;

(m) keep up to date and fully informed about strategic issues and commercial changes affecting the Company and the market in which it operates;

(n) ensure that on appointment to the Board, non-executive Directors receive a formal letter of appointment setting out clearly the expectations of them in terms of time commitment, committee service and involvement outside Board meetings;

(o) review and assess the adequacy of the corporate governance guidelines of the Company and to recommend any proposed changes to the Board for approval;

(p) do any such things to enable the Nomination Committee to discharge its powers and functions conferred on it by the Board; and

(q) conform to any requirement, direction, and regulation that may from time to time be prescribed by the Board or contained in the Company's constitution or imposed by legislation.

The principal duties of the Nomination Committee include reviewing the structure, size and composition (including the skills, knowledge, experience and diversity of perspectives) of the Board, developing and formulating relevant procedures for the nomination and appointment of directors, making recommendations to the Board on the appointment and succession planning of directors in particular the chairman and the chief executive, and assessing the independence of independent non-executive Directors.

The Board has adopted a "Board Diversity Policy" to ensure that the Board has the appropriate balance of skills, experience and diversity of perspectives necessary to enhance the effectiveness of the Board and to maintain high standards of corporate governance. Selection of board candidates shall be based on a range of diversity perspectives with reference to the Company's business model and specific needs, including but not limited to gender, age, race, language, cultural background, educational background, industry experience and professional experience. The Nomination Committee reviews the Board Diversity Policy and the measurable objectives at least annually, and as appropriate, to ensure the continued effectiveness of the Board.

The Nomination Committee held 1 meeting during the year ended 31 December 2023. During the meeting, the Nomination Committee assessed the independence of the independent non-executive Directors and the Directors to be re-elected at the 2020 annual general meeting of the Company before putting forth for discussion and approval by the Board, reviewed the Board Diversity Policy and the measurable objectives, and also reviewed the structure, size and composition of the Board.

ATTENDANCE AT BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND GENERAL MEETINGS

The attendance records of each Director at the meetings of the Board and Board Committees and the annual general meetings of the Company held during the year ended 31 December 2023 is set out in the table below:

	Attendance/Number of Meetings During Tenure of Office				
Name of Directors	**Board**	**Audit Committee**	**Remuneration Committee**	**Nomination Committee**	**General Meeting**
Executive Directors:					
Mr. Pan Jun *(Chairman and Acting Chief Executive Officer) (resigned on 11 September 2023)*	0/4	N/A	N/A	0/1	0/2
Mr. Chen Xinyu *(resigned on 23 June 2023)*	1/4	N/A	N/A	N/A	N/A
Mr. Zhu Guogang *(resigned on 21 June 2023)*	1/4	N/A	N/A	N/A	N/A
Mr. Liu Hongcai	4/4	N/A	N/A	N/A	2/2
Ms. Yang Lan *(appointed on 21 June 2023)*	2/4	N/A	N/A	N/A	2/2
Non-executive Directors:					
Mr. Wu Qingbin *(Vice Chairman) (resigned on 11 September 2023)*	1/4	N/A	N/A	N/A	2/2
Mr. Zheng Hongyan *(resigned on 11 September 2023)*	1/4	N/A	N/A	N/A	0/2
Ms. Sun Dongni *(resigned on 11 September 2023)*	1/4	N/A	N/A	N/A	0/2
Mr. Zhu Jindong *(appointed on 11 September 2023)*	0/4	N/A	N/A	N/A	N/A
Mr. Timothy David Gildner *(appointed on 11 September 2023)*	0/4	N/A	N/A	N/A	N/A
Mr. Chen Wenjian *(appointed on 11 September 2023)*	0/4	N/A	N/A	N/A	N/A
Independent non-executive Directors:					
Mr. Xu Xinmin *(resigned on 18 December 2023)*	4/4	1/2	1/1	1/1	2/2
Mr. Zhu Wuxiang *(resigned on 25 September 2023)*	2/4	1/2	1/1	1/1	2/2
Mr. Lee Yan Fai *(appointed on 14 June 2023)*	2/4	1/2	1/1	N/A	2/2
Mr. Zhang Raymond Yue *(appointed on 25 September 2023)*	0/4	N/A	N/A	N/A	N/A
Ms. Yu Shan *(appointed on 15 March 2024)*	N/A	N/A	N/A	N/A	N/A

The Chairman also held meeting with the Non-executive Directors (including Independent Non-executive Directors) without the presence of Executive Directors during the year ended 31 December 2023.

DIRECTORS' RESPONSIBILITY IN RESPECT OF THE FINANCIAL STATEMENTS

The Directors acknowledge their responsibility for preparing the financial statements of the Company for the year ended 31 December 2023.

The independent auditors of the Company about their reporting responsibilities on the financial statements is set out in the Independent Auditors' Report on page 68 of this annual report.

AUDITORS' REMUNERATION

During the year ended 31 December 2023, the remunerations paid or payable to the auditor of the Group, Prism Hong Kong and Shanghai Limited, in respect of its audit services and non-audit services were RMB4.2 million and RMB1.8 million, respectively. Non-audit services comprises the interim review of financial results for the year ended 31 December 2023.

INTERNAL CONTROLS

The Board is responsible for maintaining an adequate internal control system to safeguard the interest of the Company and its shareholders and through the Audit Committee, reviewing the effectiveness of such system on an annual basis. During the year under review, the Audit Committee reviewed and discussed with the Group's internal audit team and the senior management on the adequacy and effectiveness of the Company's internal control systems including financial, operational and compliance controls and risk management; and considered the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting and financial reporting function. The Audit Committee further made recommendations to the Board to ensure reliability of financial reporting and compliance with applicable statutory accounting and reporting requirements, legal and regulatory requirements, internal rules and procedures approved by the Board, to identify and manage potential risks of the Group. Besides, the Audit Committee and the Board will also perform regular review on the Group's performance and internal control system in order to ensure effective measures are in place to protect material assets and identify business risks of the Group.

In respect of the year ended 31 December 2023, the Board considered the internal control and risk management systems effective and adequate. No significant areas of concern that might affect shareholders were identified during the year ended 31 December 2023.

COMPANY SECRETARY

For the year ended 31 December 2023, in compliance with Rule 3.28 of Listing Rules, the Company's company secretary is a full-time employee of the Company and familiar with the ordinary affairs of the Company. The company secretary is responsible for giving advice to the Board on corporate governance matters in order to assist the Group to cope with the changing regulatory environment and to suit different commercial needs.

For the year ended 31 December 2023, the Company's company secretary has complied with Rule 3.29 of the Listing Rules by taking no less than 15 hours of relevant professional training.

CORPORATE GOVERNANCE REPORT

SHAREHOLDERS' RIGHTS

To safeguard shareholder interests and rights, a separate resolution is proposed for each substantially separate issue at general meetings, including the election of individual directors. All resolutions put forward at general meetings will be voted on by poll pursuant to the Listing Rules and the poll results will be posted on the websites of the Company and of the Stock Exchange after each general meeting.

Convening an Extraordinary General Meeting by Shareholders

Pursuant to Article 58 of the Articles of Association of the Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the secretary of the Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty-one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

Putting Forward Proposals at General Meetings

There are no provisions in the Company's Articles of Association or the Cayman Islands Companies Law for shareholders to move new resolutions at general meetings. Shareholders who wish to move a resolution may request the Company to convene a general meeting in accordance with the procedures set out in the preceding paragraph.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website.

Putting Forward Enquiries to the Board

For putting forward any enquiries to the Board of the Company, shareholders may send written enquiries to the Company. The Company will not normally deal with verbal or anonymous enquiries.

Contact Details

Shareholders may send their enquiries or requests as mentioned above to the following address:

21/F., CMA Building
64 Connaught Road Central
Central, Hong Kong
For the attention of the Board of Directors

Shareholders are encouraged to provide, amongst other things, in particular, their email addresses to the Company in order to facilitate timely and effective communication.

A dedicated Investor Relations section is available on the Company's website (www.colourlife.hk). Information on the Company's website are updated on a regular basis.

For the avoidance of doubt, shareholder(s) must deposit and send the original duly signed written requisition, notice or statement, or enquiry (as the case may be) to the above address and provide their full name, contact details and identification in order to give effect thereto. The Company recognises the importance of shareholders' privacy and will not disclose shareholders' information without their consent, unless required by law to do so.

COMMUNICATION WITH SHAREHOLDERS AND INVESTORS/INVESTOR RELATIONS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company endeavours to maintain an on–going dialogue with shareholders and in particular, through financial reports, annual general meetings and other general meetings that may be convened, as well as all the disclosures available on the websites of the Stock Exchange and of the Company. At the annual general meeting, directors (or their delegates as appropriate) are available to meet shareholders and answer their enquiries.

Constitutional Documents

During the year under review, there was no change in the Company's memorandum and articles of association. An up to date version of the Company's memorandum and articles of association is also available on the websites of the Company and of the Stock Exchange.

INDEPENDENT AUDITOR'S REPORT

上會柏誠

TO THE MEMBERS OF COLOUR LIFE SERVICES GROUP CO., LIMITED
(incorporated in Cayman Island with limited liability)

OPINION

We have audited the consolidated financial statements of Colour Life Services Group Co., Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 71 to 168, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill	
We identified the impairment assessment of goodwill arising on acquisition of businesses through acquisition of subsidiaries as a key audit matter due to the significance of the balance to the consolidated financial statements as a whole, combined with the significant degree of estimations made by the management of the Group associated with the recoverable amount of the cash-generating units to which goodwill have been allocated. As disclosed in note 4 to the consolidated financial statements, the management assessed the impairment of goodwill by estimation of recoverable amount of the cash-generating units to which goodwill have been allocated which is the higher of the value-in-use ("VIU") and fair value less costs of disposal. The VIU calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer ("Valuer") to assist the estimation. The valuation team of the Group works closely with the Valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. As disclosed in note 21 to the consolidated financial statements, the carrying amounts of goodwill were RMB906,944,000 after net of the accumulated impairment loss of goodwill of RMB870,000 as at 31 December 2023 and no impairment loss was recognised by the management of the Group during the year ended 31 December 2023.	Our procedures in relation to the impairment assessment of goodwill included: • Discussing with the management to understand the key estimations made by the management in the impairment assessment of goodwill including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates; • Evaluating the competency, capabilities and objectivity of the Valuer; • Evaluating the reasonableness of the growth rates in revenue, estimated gross profit and estimated profit before tax, with reference to the Group's historical financial performance and comparable listed companies; • Evaluating the appropriateness of discount rates applied in the forecast by comparing them to economic and industry data and comparable listed companies based on industry knowledge and independent research with the assistance of our external specialists; • Evaluating the competency, capabilities and objectivity of our external specialists; and • Evaluating the reasonableness of the financial budgets approved by the management by comparing the actual results of those cash-generating units to the previously forecasted results used in the impairment assessment of goodwill.

Key audit matter	How our audit addressed the key audit matter
Recoverability of trade receivables	
We identified the recoverability of trade receivables as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the expected credit loss ("ECL") of trade receivables which may affect the carrying value of the Group's trade receivables at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used provision matrix to calculate the ECL of trade receivables and the provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns, and taken into consideration the historical default rates and the forward-looking information. As disclosed in note 24 to the consolidated financial statements, the carrying amount of trade receivables is RMB651,808,000 as at 31 December 2023, after net off the allowance for credit losses of RMB206,514,000, and the allowance for credit losses of RMB4,248,000 was recognised in profit or loss for the year end 31 December 2023.	Our procedures in relation to assessing the recoverability of trade receivables included: • Obtaining an understanding on how the management assess the ECL of trade receivables by applying the ECL model; • Testing the integrity of information used by the management to develop the provision matrix, including the aging analysis, on a sample basis, to the source documents, including invoices and demand notes; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

Key audit matter	How our audit addressed the key audit matter
Recoverability of payments on behalf of residents	
We identified the recoverability of payments on behalf of residents as a key audit matter due to the significance of the balance to the consolidated financial statements, combined with the significant degree of estimations by the management of the Group, in evaluating the ECL of payments on behalf of residents which may affect the carrying value at the end of the reporting period. As disclosed in note 4 to the consolidated financial statements, the management used collective basis to calculate the ECL of payments on behalf of residents and the provision rates are based on internal credit rating as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information. As disclosed in note 28 to the consolidated financial statements, the carrying amount of payments on behalf of residents is RMB756,830,000 as at 31 December 2023, after net off the allowance for credit losses of RMB406,605,000, and the allowance for credit losses of RMB18,539,000 was recognised in profit or loss for the year end 31 December 2023.	Our procedures in relation to assessing the recoverability of payments on behalf of the residents included: • Obtaining an understanding on how the management assess the ECL of payments on behalf of residents by applying the ECL model; • Testing the integrity of information used by management to develop the collective basis assessment, including the internal credit rating and impairment indicators, including whether the property management agreements for the community were terminated or expected to be terminated, historical write-off experience, the financial performance of the property management offices of residential communities and expected future cash flows of the management offices of residential communities; • Checking to the notices of termination of the management service received by the Group, on a sample basis, and confirming with the management whether the management service for certain communities was terminated or about to be terminated for those communities; • Evaluating the financial performance of the property management offices which are the representatives of the residents of the communities, by checking, on a sample basis, to the latest management accounts of relevant property management offices of residential communities to assess whether the management fee received from the residents can cover the various expenses paid by the Group on behalf of those property management offices; and • Evaluating the appropriateness of the expected average loss rates applied by reference to the historical recovery rate, probability of default by its customers and forward-looking information.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR’S REPORT

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

The engagement partner on the audit resulting in the independent auditor’s report is Lee Kwok Lun.

Prism Hong Kong and Shanghai Limited
Certified Public Accountants
Lee Kwok Lun
Practising Certificate Number: P06294
Hong Kong
28 March 2024

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000 (Represented)
Revenue from services	5&6	**1,523,179**	1,311,037
Cost of services		**(1,069,019)**	(889,815)
Gross profit		**454,160**	421,222
Other income	7	**29,696**	34,723
Other gains and losses	7	**(43,366)**	(10,868)
Impairment losses under expected credit loss model, net of reversal	8	**(130,530)**	(146,668)
Selling and distribution expenses		**(4,658)**	(10,961)
Administrative expenses		**(255,681)**	(220,936)
Finance costs	9	**(1,889)**	(5,458)
Change in fair value of investment properties		**(1,501)**	(897)
Share of results of associates		**1,538**	493
Share of results of joint ventures		**4,842**	6,408
Profit before tax		**52,611**	67,058
Income tax expense	10	**(19,645)**	(18,540)
Profit for the year	11	**32,966**	48,518
Other comprehensive (expense) income			
Items that will not be reclassified subsequently to profit or loss:			
Change in fair value of equity instruments designated at fair value through other comprehensive income ("FVTOCI")		**(5,933)**	(350)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI		**1,483**	88
Other comprehensive expense for the year, net of income tax		**(4,450)**	(262)
Total comprehensive income for the year		**28,516**	48,256
Profit for the year attributable to:			
Owners of the Company		**23,007**	31,358
Non-controlling interests		**9,959**	17,160
		32,966	48,518
Total comprehensive income for the year attributable to:			
Owners of the Company		**18,557**	31,096
Non-controlling interests		**9,959**	17,160
		28,516	48,256
Earnings per share – basic (RMB cents)	14	**1.55**	2.11
Earnings per share – diluted (RMB cents)	14	**1.55**	2.11

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Assets			
Property, plant and equipment	15	**42,940**	34,837
Right-of-use assets	16	**207,109**	263,803
Investment properties	17	**19,561**	22,325
Interests in associates	18	**42,526**	38,601
Interests in joint ventures	19	**115,990**	112,846
Equity instruments designated at FVTOCI	20	**13,282**	25,139
Goodwill	21	**906,944**	890,870
Intangible assets	22	**–**	1,378
Other receivables	24	**6,007**	86,524
Deferred tax assets	26	**129,421**	120,327
Deposits paid for potential acquisition of subsidiaries	27	**121,776**	122,174
		1,605,556	1,718,824
Current Assets			
Contract assets	23	**32,328**	39,878
Trade receivables	24	**651,808**	565,309
Other receivables and prepayments	24	**1,454,450**	1,669,008
Loan receivables	25	**141,939**	143,710
Payments on behalf of residents	28	**756,830**	838,208
Amounts due from related parties	44(b)	**208,286**	58,446
Restricted bank deposits	29	**50,269**	34,770
Bank balances and cash	29	**947,904**	757,116
		4,243,814	4,106,445
Current Liabilities			
Trade payables	30	**378,876**	305,269
Other payables and accruals	30	**211,003**	153,895
Contract liabilities	31	**253,342**	182,678
Receipts on behalf of residents	28	**180,185**	295,204
Lease liabilities due within one year	32	**8,093**	2,711
Amounts due to related parties	44(b)	**40,501**	146,255
Tax liabilities		**294,141**	289,049
		1,366,141	1,375,061
Net Current Assets		**2,877,673**	2,731,384
Total Assets Less Current Liabilities		**4,483,229**	4,450,208

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2023

	NOTES	2023 RMB'000	2022 RMB'000
Non-current Liabilities			
Deferred tax liabilities	26	**248**	592
Lease liabilities due after one year	32	**19,658**	8,734
Total Non-current Liabilities		**19,906**	9,326
Net Assets		**4,463,323**	4,440,882
Capital and Reserves			
Share capital	33	**120,750**	120,750
Reserves		**4,150,390**	4,132,636
Equity attributable to owners of the Company		**4,271,140**	4,253,386
Non-controlling interests		**192,183**	187,496
Total Equity		**4,463,323**	4,440,882

The consolidated financial statements on pages 71 to 168 were approved and authorised for issue by the board of directors on 28 Mar 2024 and are signed on its behalf by:

MR. LIU HONGCAI
DIRECTOR

MS. YANG LAN
DIRECTOR

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital RMB'000	Share premium RMB'000	Statutory reserve RMB'000 (note a)	Share-based payments reserve RMB'000 (note 35)	Shares held for share award scheme RMB'000 (note 36)	FVTOCI reserve RMB'000	Other reserve RMB'000 (note b)	Retained profits RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	120,750	1,738,865	253,499	243,034	(6,795)	17,388	(420,656)	2,273,341	4,219,426	190,173	4,409,599
Profit for the year	–	–	–	–	–	–	–	31,358	31,358	17,160	48,518
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(350)	–	–	(350)	–	(350)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	88	–	–	88	–	88
Other comprehensive expense for the year	–	–	–	–	–	(262)	–	–	(262)	–	(262)
Total comprehensive (expense) income for the year	–	–	–	–	–	(262)	–	31,358	31,096	17,160	48,256
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(11,758)	(11,758)
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	(8,079)	(8,079)
Disposal of equity instruments designated at FVTOCI	–	–	–	–	–	(8,592)	–	11,456	2,864	–	2,864
Transfer	–	–	6,880	–	–	–	–	(6,880)	–	–	–

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2023

	Attributable to owners of the Company										
	Share capital	Share premium	Statutory reserve	Share-based payments reserve	Shares held for share award scheme	FVTOCI reserve	Other reserve	Retained profits	Subtotal	Non-controlling interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
			(note a)	(note 35)	(note 36)		(note b)				
At 31 December 2022	120,750	1,738,865	260,379	243,034	(6,795)	8,534	(420,656)	2,309,275	4,253,386	187,496	4,440,882
Profit for the year	–	–	–	–	–	–	–	23,007	23,007	9,959	32,966
Change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	(5,933)	–	–	(5,933)	–	(5,933)
Deferred taxation effect on change in fair value of equity instruments designated at FVTOCI	–	–	–	–	–	1,483	–	–	1,483	–	1,483
Other comprehensive expense for the year	–	–	–	–	–	(4,450)	–	–	(4,450)	–	(4,450)
Total comprehensive (expense) income for the year	–	–	–	–	–	(4,450)	–	23,007	18,557	9,959	28,516
Dividend paid to non-controlling shareholders of subsidiaries	–	–	–	–	–	–	–	–	–	(16,042)	(16,042)
Acquisition of subsidiaries	–	–	–	–	–	–	(803)	–	(803)	9,248	8,445
Disposal of subsidiaries	–	–	–	–	–	–	–	–	–	1,522	1,522
Disposal of equity instruments designated at FVTOCI	–	–	–	–	–	30	–	(30)	–	–	–
Transfer	–	–	22,419	–	–	–	–	(22,419)	–	–	–
At 31 December 2023	120,750	1,738,865	282,798	243,034	(6,795)	4,114	(421,459)	2,309,833	4,271,140	192,183	4,463,323

Notes:

(a) The statutory reserve is non-distributable and the transfer to the reserve is determined by the board of directors of subsidiaries established in the People's Republic of China (the "PRC") in accordance with the Articles of Association of the subsidiaries by way of appropriations from its net profit (based on the PRC statutory financial statements of the subsidiaries). Statutory reserve can be used to make up for previous year's losses or convert into additional capital of the PRC subsidiaries of the Company.

(b) The amount recorded in the other reserve was resulted from the following as follows:

(i) Other reserve arose from the acquisitions of additional equity interests in subsidiaries and the disposal of partial equity interests in subsidiaries, which represent the difference between the consideration and the adjustment to the non-controlling interests.

(ii) The Company recognised expense in relation to share options granted by Fantasia Holdings Group Co., Limited to eligible directors and employees of the Company and credited to other reserve.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
OPERATING ACTIVITIES		
Profit before tax	**52,611**	67,058
Adjustments for:		
Changes in fair value of investment properties	**1,501**	897
Impairment losses under expected credit loss model, net of reversal	**130,530**	146,668
Depreciation of property, plant and equipment	**16,350**	19,401
Depreciation of right-of-use assets	**19,007**	19,871
Amortisation of intangible assets	**1,378**	8,428
Interest income	**(12,651)**	(10,476)
Finance costs	**1,889**	5,458
Share of results of joint ventures	**(4,842)**	(6,408)
Share of results of associates	**(1,538)**	(493)
Net foreign exchange gain	**(970)**	(165)
Net loss on disposal of subsidiaries	**14,512**	5,820
Operating cash flows before movements in working capital	**217,777**	256,059
Increase in trade receivables	**(90,747)**	(137,263)
Increase in other receivables and prepayments	**(93,027)**	(54,034)
Changes in payments/receipts on behalf of residents	**(110,650)**	57,800
(Increase)/decrease in contract assets	**(16,962)**	49,758
Increase in contract liabilities	**70,664**	24,180
Increase in trade payables	**73,607**	115,329
Increase in other payables and accruals	**57,111**	36,808
Decrease in amounts due from related parties	**1,649**	–
Cash generated from operations	**109,422**	348,637
Income taxes paid	**(23,242)**	(21,263)
NET CASH FROM OPERATING ACTIVITIES	**86,180**	327,374

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
INVESTING ACTIVITIES		
Interest received	**5,152**	10,476
Acquisitions of subsidiaries (net of cash and cash equivalents acquired)	**(20,100)**	(2,740)
Settlement of consideration receivables of disposal of subsidiaries	**299,673**	1,823
Disposal of associates and joint ventures	**611**	16,993
Payment for deposits and purchase of property, plant and equipment and investment properties	**(29,639)**	(20,550)
Payment for deposits and right-of-use assets	**–**	(55,981)
Proceeds of disposal of property, plant and equipment and investment properties	**1,263**	5,079
Proceeds of disposal of right-of-use assets	**38,997**	–
Capital injection to and acquisition of associates and joint ventures	**(500)**	(3,436)
Increase in restricted bank deposits	**(36,241)**	(13,204)
Decrease in restricted bank deposits	**20,742**	42,777
Advances of loan receivables	**(4,000)**	(58,001)
Repayment of loan receivables	**8,032**	8,000
Advances to related parties	**(58,271)**	(31,603)
Repayment from related parties	**8,503**	42,058
NET CASH GENERATED FROM (USED IN) INVESTING ACTIVITIES	**234,222**	(58,309)

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000
FINANCING ACTIVITIES		
Interest paid	–	(4,157)
Repayments of bank borrowings	–	(164,669)
Repayments of lease liabilities	**(8,880)**	(8,437)
Advance from related parties	**3,657**	96,299
Repayment to related parties	**(108,349)**	(19,306)
Dividends paid to non-controlling shareholders of the subsidiaries	**(16,042)**	(11,758)
NET USED IN FINANCING ACTIVITIES	**(129,614)**	(112,028)
NET INCREASE IN CASH AND CASH EQUIVALENTS	**190,788**	157,037
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**757,116**	600,079
CASH AND CASH EQUIVALENTS AT END OF THE YEAR, REPRESENTED BY BANK BALANCES AND CASH	**947,904**	757,116

1. GENERAL

Colour Life Services Group Co., Limited (the "Company") is a limited liability company incorporated in Cayman Islands and its shares are listed on the main board of The Stock Exchange of Hong Kong Limited ("the SEHK"). Its immediate holding company is Fantasia Holdings Group Co., Limited ("Fantasia Holdings"), a company which was incorporated as an exempted company with limited liability in the Cayman Islands and its shares are listed on the Main Board of the SEHK. Its ultimate holding company is Ice Apex Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). Its ultimate controlling party is Ms. Zeng Jie, Baby. The addresses of the registered office and principal place of the Company are disclosed in the corporate information section to the annual report.

The Company acts as an investment holding company. Details of the principal activities of its subsidiaries are set out in note 43.

The consolidated financial statements is presented in Renminbi ("RMB"), which is the same as the functional currency of the Company and the major subsidiaries.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	*Insurance Contracts*
Amendments to HKAS 1 and HKFRS Practice Statement 2	*Disclosure of Accounting Policies*
Amendments to HKAS 8	*Definition of Accounting Estimates*
Amendments to HKAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to HKAS 12	*International Tax Reform-Pillar Two Model Rules*

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

2. APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") *(Continued)*

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 *Presentation of Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "**Practice Statement**") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial performance and positions, but has affected the disclosures of accounting policies as set out in note 3 of the consolidated financial statements.

Amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following amendments to HKFRSs that have been issued but are not yet effective:

Amendments to HKFRS 10 and HKAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*[1]
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)*[1]
Amendments to HKAS 1	*Non-current Liabilities with Covenants*[1]
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*[1]
Amendments to HKAS 21	*Lack of Exchangeability*[2]

1 Effective for annual periods beginning on or after 1 January 2024.
2 Effective for annual periods beginning on or after 1 January 2025.
3 Effective for annual periods beginning on or after a date to be determined.

The directors of the Company anticipate that the application of all amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with the HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the SEHK ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The consolidated financial statements have been prepared on the historical cost basis except for investment properties and financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in HKAS 2 "Inventories" or value in use in HKAS 36 "Impairment of Assets".

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

For financial instruments and investment properties which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Basis of preparation of consolidated financial statements *(Continued)*

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Material accounting policy information *(Continued)*

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributable to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income and expenses, and cash flows relating to the transactions among the members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Changes in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 *Financial Instruments* ("HKFRS 9") or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

Except for certain recognition exemptions, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Framework for the Preparation and Presentation of Financial Statements (replaced by the *Conceptual Framework for Financial Reporting* issued in October 2010).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 "Income Taxes" and HKAS 19 "Employee Benefits" respectively;
- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangement of the acquiree are measured in accordance with HKFRS 2 "Share-based Payment" at the acquisition date (see the accounting policy below);
- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 "Non-current Assets Held for Sale and Discontinued Operations" are measured in accordance with that standard; and
- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amounts of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after reassessment, the net amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively. Measurement period adjustments are adjustments that arise from additional information obtained during the "measurement period" (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Business combinations *(Continued)*

Business combinations (Continued)

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured to fair value at subsequent reporting dates, with the corresponding gain or loss being recognised in profit or loss.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable asserts acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date (i.e. the date when the Group obtains control), and the resulting gain or loss, if any, is recognised in profit or loss or other comprehensive income, as appropriate. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income and measured under HKFRS 9 would be accounted for on the same basis as would be required if the Group had disposed of directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted retrospectively during the measurement period (see above), and additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date that, if known, would have affected the amounts recognised at that date.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata based on the carrying amount of each asset in the unit (or group of cash-generating units).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Goodwill *(Continued)*

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash-generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash-generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for the goodwill arising on the acquisition of an associate and joint ventures is described below.

Investments in associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in the consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture are initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate or joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investments in associates and joint ventures *(Continued)*

When the Group ceases to have significant influence over an associate or joint venture, it is accounted for as disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former associate or joint venture and the retained interest in a financial asset within the scope of HKFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate or joint ventures and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon disposal or partial disposal of the relevant associate or joint venture.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture, profits and losses resulting from the transactions with the associate or joint venture are recognised in the consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

Investment in a structured entity

The Group controls a structured entity, the employees' share award trust ("Employee Share Trust"), which is set up solely for the purpose of purchasing, administering and holding the Group's shares for an employees' share award scheme. As the Group has the power to direct the relevant activities of the Employee Share Trust and it has the ability to use its power over the Employee Share Trust to affect its exposure to returns, the assets and liabilities of Employee Share Trust are included in the consolidated statement of financial position and the Group's shares held by the Employee Share Trust are presented as a deduction in equity as shares held for share award scheme.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Output method

For property management services, value-added services (including online promotion services and other value-added services) the progress towards complete satisfaction of a performance obligation is measured based on output method, which is to recognise revenue on the basis of direct measurements of the value of the goods or services transferred to the customer to date relative to the remaining goods or services promised under the contract, that best depict the Group's performance in transferring control of goods or services.

Input method

For engineering services relating to equipment installation services, the progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Revenue from contracts with customers *(Continued)*

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Leases

Definition of a lease

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

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as a lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of office premises, apartments and commercial properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Except for those that are classified as investment properties and measured under fair value model, right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets that do not meet the definition of investment property as a separate line item on the consolidated statement of financial position. Right-of-use assets that meet the definition of investment property are presented within "investment properties".

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.
- the lease payments change due to changes in expected payment under a guaranteed residual value, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as a lessee (Continued)

Lease modification

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities and lease incentives from lessor by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term except for investment properties measured under fair value model.

Interest and rental income which are derived from the Group's ordinary course of business are presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Leases *(Continued)*

The Group as lessor (Continued)

Lease modification

Changes in consideration of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of the entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items are recognised in profit or loss in the period in which they arise.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income”.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Employee Benefits

Retirement benefit costs

Payments to state-managed retirement benefit scheme and the Mandatory Provident Fund Scheme are recognised as an expense when employees have rendered service entitling them to the contributions.

Short-term and other long-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

Liabilities recognised in respect of other long-term employee benefits are measured at the present value of the estimated future cash outflows expected to be made by the Group in respect of services provided by employees up to the reporting date. Any changes in the liabilities' carrying amounts resulting from services cost, interest and remeasurements are recognised in profit or loss except to the extent that another HKFRS requires or permits their inclusion in the cost of an asset.

Share-based payments

Equity-settled share-based payment transactions

Shares/share options scheme

Equity-settled share-based payments to employees are measured at fair value of equity instruments at the grant date.

The fair value of the equity-settled share-based payments determined at the grant without taking into consideration all non-market vesting conditions is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instrument that will eventually vest, with a corresponding increase in equity (share-based payments reserve). At the end of the reporting period, the Group revises its estimates of the number of options that are expected to ultimately vest based on assessment of all the relevant non-market vesting conditions. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to share-based payments reserve. For share options that vest immediately at the date of grant, the fair value of the share options granted is expensed immediately to profit or loss.

When share options are exercised, the amount previously recognised in share-based payments reserve will be transferred to share premium. When the share options are forfeited after the vesting date or are still not exercised at the expiry date, the amount previously recognised in share-based payments reserve will continue to be held in share-based payments reserve.

When shares granted are vested, the amount previously recognised in share-based payments reserve will be transferred to share capital and share premium.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Share-based payments *(Continued)*

Equity-settled share-based payment transactions (Continued)

Share award scheme

Where the Group's shares are acquired by the trustee of the share award scheme from the open market, the total consideration of shares acquired from the open market (including any directly attributable incremental costs) is presented as shares held for share award scheme and deducted from total equity.

The fair value of the awarded shares at the grant date is expensed on a straight-line basis over the projected vesting period being the period for which the services from the employees are rendered with a corresponding increase in equity (shares held for share award scheme).

Upon vesting and transfer the shares to the grantees, the related costs of the shares are reversed from shares held for share award scheme, and the related expenses of the shares are reversed from "shares held for share award scheme" included in reserves. The difference arising from such transfer is debited/credited to retained profits.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Taxation *(Continued)*

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

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. If the presumption is rebutted, deferred tax for such investment properties are measured in accordance with the above general principles set out in HKAS 12 (i.e. based on the expected manner as to how the properties will be recovered).

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 "Income Taxes" requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction in progress as described below). Property, plant and equipment are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

When the Group makes payments for ownership interests of properties which includes both leasehold land and building elements, the entire consideration is allocated between the leasehold land and the building elements in proportion to the relative fair values at initial recognition. To the extent the allocation of the relevant payments can be made reliably, interest in leasehold land that is accounted for as an operating lease is presented as "right-of-use assets", if any, in the consolidated statement of financial position except for those that are classified and accounted for as investment properties under the fair value model. When the consideration cannot be allocated reliably between non-lease building element and undivided interest in the underlying leasehold land, the entire properties are classified as property, plant and equipment.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation (including properties under construction for such purposes). Investment properties include land held for undetermined future use, which is regarded as held for capital appreciation purpose.

Investment properties are initially measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at fair value, adjusted to exclude any prepaid or accrued operating lease income.

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

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Investment properties *(Continued)*

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss in the period in which the item is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at costs less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and intangible assets with finite useful lives to determine whether there is any indication that these assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating units) for which the estimates of future cash flows have not been adjusted.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill *(Continued)*

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL) are added to or deducted from the fair values of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 "Business Combinations" applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost or FVTOCI as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Classification and subsequent measurement of financial assets *(Continued)*

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the FVTOCI reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will continue to be held in the FVTOCI reserve.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade and other receivables, payments on behalf of residents, loan receivables, amounts due from related parties, restricted bank deposits and bank balances) and contract assets which are subject to impairment assessment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group recognises lifetime ECL for trade receivables, contract assets and payments on behalf of residents. The ECL on these assets are assessed collectively using a provision matrix or collective basis with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

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

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor; or
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(i) Significant increase in credit risk *(Continued)*

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if (a) it has a low risk of default, (b) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and (c) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings, or in the case of trade receivables, loan receivables and payments on behalf of residents, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on appropriate basis, taken into the following considerations:

Lifetime ECL for certain trade receivables, payments on behalf of residents and contract assets are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of counterparties; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial assets (Continued)

Impairment of financial assets and other items subject to impairment assessment under HKFRS 9 *(Continued)*

(v) Measurement and recognition of ECL *(Continued)*

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit-impaired, in which case interest income is calculated based on amortised cost of the financial asset.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables, contract assets, loan receivables, payments on behalf of residents and amount due from a joint venture where the corresponding adjustment is recognised through a loss allowance account.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI upon application of HKFRS 9, the cumulative gain or loss previously accumulated in the FVTOCI reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION *(Continued)*

Financial instruments *(Continued)*

Financial liabilities and equity (Continued)

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities including trade payables, other payables, receipts on behalf of residents, amounts due to related parties and borrowings are subsequently measured at amortised cost, using the effective interest method.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in note 3, the management of the Company is required to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and underlying assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount of the groups of cash-generating units (or group of cash-generating units) to which goodwill has been allocated which is the higher of the value in use and fair value less costs of disposal. The value-in-use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) based on five-year financial budgets approved by the management of the Group and a suitable discount rate. The Group engages an independent valuer to assist the estimation. The valuation team of the Group works closely with the independent valuer to establish the appropriate estimation model and inputs to the model. Key estimates involved in the preparation of cash flow projections for the period covered by the approved financial budgets include the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates. The cash flows beyond the five-year period are extrapolated using zero growth rate. The details are set out in note 21. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of expected future cash flows due to unfavourableness, a material impairment loss may arise. As at 31 December 2023, the carrying amount of goodwill net of accumulated impairment loss was amounted to RMB906,944,000 (2022: RMB890,870,000).

Estimated impairment of intangible assets

Intangible assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of the cash-generating units to which intangible assets have been allocated exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The value-in-use calculation requires the Group to estimate the expected future cash flows from the asset of cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at 31 December 2023, the carrying amount of intangible assets net of accumulated impairment loss and amortisation was RMBNil (2022: RMB1,378,000).

Provision of ECL for trade receivables

The Group uses provision matrix to calculate ECL for the trade receivables. The provision rates are based on internal credit ratings as groupings of various debtors by their aging, which are considered of similar loss patterns. The provision matrix is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's trade receivables are disclosed in notes 24 and 37.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY *(Continued)*

Provision of ECL for payments on behalf of residents, other receivables, amounts due from related parties and contract assets

The Group uses collective basis to calculate ECL for the payments on behalf of residents, other receivables, amounts due from related parties and contract assets. The provision rates are based on internal credit ratings as groupings of various debtors that have similar loss patterns. The collective basis assessment is based on the Group's historical default rates taking into consideration forward-looking information that is reasonable and supportable available without undue costs or effort. At the end of each reporting period, the historical observed default rates are reassessed and changes in the forward-looking information are considered.

The provision of ECL is sensitive to changes in estimates. The information about the ECL and the Group's payments on behalf of residents, other receivables, amounts due from related parties and contract assets are disclosed in notes 28, 24, 44(b), 23 and 37 respectively.

Useful lives of property, plant and equipment

The Group estimates useful lives and related depreciation charges for its items of property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of items of property, plant and equipment of similar nature and function and also by reference to the relevant industrial norm. If the actual useful lives of assets are less than the original estimated useful lives due to changes in commercial and technological environment, such difference will impact the depreciation charge for the remaining period. As at 31 December 2023, the carrying amount of property, plant and equipment was RMB42,940,000 (2022: RMB34,837,000).

Fair value of completed investment properties

The Group's completed investment properties are stated at fair value based on the valuation performed by independent professional valuers. In determining the fair value, the valuers have based on method of valuation which take into account the market evidence of transaction prices for similar properties in the same location and conditions. In relying on the valuation report, the management has exercised its judgement and is satisfied that the method of valuation is reflective of the current market conditions. Should there be changes in assumptions due to market conditions, the fair value of the investment properties will change in the future. As at 31 December 2023, the carrying amount of investment properties was RMB19,561,000 (2022: RMB22,325,000).

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

5. REVENUE FROM SERVICES

(i) Disaggregation of revenue from contracts with customers

For the year ended 31 December 2023

	Property management services RMB'000	Value-added services RMB'000	Total RMB'000
Types of goods and services			
Property management services			
Lump sum basis	1,309,741	–	1,309,741
Pre-delivery services	12,956	–	12,956
Commission basis	102,814	–	102,814
Consultancy services fee	2,088	–	2,088
	1,427,599	–	1,427,599
Value-added services			
Online promotion services	–	36,464	36,464
Sales and rental assistance	–	27,840	27,840
Engineering services	–	22,710	22,710
Other value-added services	–	8,566	8,566
	–	95,580	95,580
	1,427,599	95,580	1,523,179
Timing of revenue recognition			
A point in time	–	27,840	27,840
Over time	1,427,599	67,740	1,495,339
	1,427,599	95,580	1,523,179

5. REVENUE FROM SERVICES *(Continued)*

(i) Disaggregation of revenue from contracts with customers *(Continued)*

For the year ended 31 December 2022

	Property management services RMB'000	Value-added services RMB'000 (Represented)	Total RMB'000 (Represented)
Types of goods and services			
Property management services			
Lump sum basis	1,066,635	–	1,066,635
Pre-delivery services	10,740	–	10,740
Commission basis	122,408	–	122,408
Consultancy services fee	6,567	–	6,567
	1,206,350	–	1,206,350
Value-added services			
Online promotion services	–	43,943	43,943
Sales and rental assistance	–	28,010	28,010
Engineering services	–	16,680	16,680
Other value-added services	–	16,054	16,054
	–	104,687	104,687
	1,206,350	104,687	1,311,037
Timing of revenue recognition			
A point in time	–	28,010	28,010
Over time	1,206,350	76,677	1,283,027
	1,206,350	104,687	1,311,037

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers

Property management services mainly includes property management services under lump sum basis, commission basis, pre-delivery services and consultancy service arrangement. For property management services, the Group bills a fixed rate for services provided on a monthly/regular basis and recognises as revenue in the amount to which the Group has a right to invoice and that corresponds directly with the value of performance completed.

For property management services income from properties managed under lump sum basis, where the Group acts as principal and is primarily responsible for providing the property management services to the property owners, who simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property owners as its revenue over time and all related property management costs as its cost of services.

For property management services income from properties managed under commission basis, the Group recognises the commission for providing the property management services to the property management offices of residential communities, which is calculated by certain percentage of the total property management fee charged to the property owners. As the property management offices of residential communities simultaneously receives and consumes the benefit provided by the Group's performance as the Group renders property management services, the Group recognises the fee received or receivables from property management offices of residential communities as its revenue over time and all related property management costs as its cost of services.

For property management services income in pre-delivery services, where the Group acts as principal and is primarily responsible for providing the property management services for the property developers, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs, the Group recognises the fee received or receivable from property developers as its revenue over time and all related property management costs as its cost of services.

For consultancy services income for residential communities under consultancy service arrangement, where the Group acts as principal and is primarily responsible for providing the consultancy services for the property management companies, which simultaneously receives and consumes the benefit provided by the Group's performance as the Group performs. The Group agrees the fee for services with the property management companies upfront and recognises the fee received or receivable from the property management companies as its revenue over time and all related property management costs as its cost of services.

Value-added services mainly includes usage fees from online promotion services, sales and rental assistance, engineering services and other value-added services. The Group agrees the fixed rate for services with the customers upfront and issues the bill on a monthly/regular basis to the customers which varies based on the actual level of service completed in that month/period.

5. REVENUE FROM SERVICES *(Continued)*

(ii) Performance obligations for contracts with customers *(Continued)*

For online promotion services and other value-added services, as the customers simultaneously receive and consume the benefits provided by the Group's performance, thus the revenue is recognised over time when the performance obligations are satisfied. Payment of the transaction is due upon issuance of invoice when performance obligations are satisfied.

For sales and rental assistance services, the Group provides agency services to property developers and community-related service providers. Agency commission is recognised at a point in time when a buyer/lessee and seller/lessor execute a legally binding agreement and performance obligations are satisfied. Payment of the transaction is due immediately when performance obligations are satisfied.

Engineering services mainly includes equipment installation services, repair and maintenance services and energy-saving services. For engineering services, the Group's performance creates or enhances an asset or work in progress that the customers control as the asset is created or enhanced, thus the Group satisfies a performance obligation and recognises revenue over time, by reference to completion of satisfaction of the performance obligation.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December 2023 and 2022 regarding property management services and engineering services is expected to recognise as revenue within one year.

6. SEGMENT INFORMATION

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.

During the year ended 31 December 2023, the Group is principally engaged in the provision of property management services and related services in the PRC. Management reviews the operating results of the business as a single operating 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.

6. SEGMENT INFORMATION *(Continued)*

Information about major customer

There were no sales to a single customer which amounted to 10% or more of the Group's revenue during the year ended 31 December 2023 and 2022.

Information about geographical areas

The principal operating entities of the Group are domiciled in the PRC and majority of revenue is derived in the PRC during the years ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, majority of the non-current assets of the Group were located in the PRC.

Revenue and results from major services

The Group is mainly engaged in provision of property management services, value-added services. The following table provides an analysis of the Group's revenue and results based on types of business:

	Property management services RMB'000	**Value-added services RMB'000**	**Total RMB'000**
Year ended 31 December 2023			
Revenue from major services	**1,427,599**	**95,580**	**1,523,179**
Profit from major services	**132,726**	**8,886**	**141,612**

	Property management services RMB'000	Value-added services RMB'000 (Represented)	Total RMB'000
Year ended 31 December 2022			
Revenue from major services	1,206,350	104,687	1,311,037
Profit from major services	87,508	22,478	109,986

7. OTHER INCOME, GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Other income		
Interest income from		
– loan receivables	**7,499**	7,000
– banks	**4,970**	3,476
– advance to staffs	**182**	–
Refund of value-added tax	**140**	36
Unconditional government grants	**15,010**	18,348
Others	**1,895**	5,863
	29,696	34,723
Other gains and losses		
Net loss on disposal of subsidiaries (note)	**(14,512)**	(5,820)
Loss on termination of lease agreements	**(21,984)**	–
Exchange gain	**970**	165
Others	**(7,840)**	(5,213)
	(43,366)	(10,868)

Note: During the year ended 31 December 2022, the Group disposed a subsidiary at a consideration of RMB8,848,000, after consideration of the impact of net assets disposed of and non-controlling interests, the net loss on disposal of the subsidiary was approximately RMB5,820,000.

During the year ended 31 December 2023, the Group disposed certain subsidiaries, after consideration of the impact of net assets disposed of and non-controlling interests, the net loss on disposal of the subsidiary was approximately RMB14,512,000.

8. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023 RMB'000	2022 RMB'000
Impairment loss (recognised on) reversed of		
– trade receivables (note 24)	(4,248)	(62,086)
– other receivables (note 24)	(113,571)	(23,413)
– contract assets (note 23)	(24,513)	(847)
– payments on behalf of residents (note 28)	(18,539)	(39,738)
– amount due from related parties (note 37(b))	20,071	(20,452)
– loan receivables (note 25)	10,270	(132)
	(130,530)	(146,668)

Details of impairment assessment are set out in note 37(b).

9. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interests on:		
– borrowings	–	(4,157)
– lease liabilities	(1,889)	(1,301)
	(1,889)	(5,458)

10. INCOME TAX EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax		
Enterprise Income Tax (the "EIT")	(27,610)	(38,274)
Deferred tax (note 26)		
Credit to profit or loss	7,965	19,734
	(19,645)	(18,540)

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the income of the Group neither arises in nor is derived from Hong Kong.

10. INCOME TAX EXPENSE *(Continued)*

Under the law and regulation of PRC on EIT (the "EIT Law"), the tax rate of the PRC subsidiaries is 25% for both years, except for the exemption and preferential rate as disclosed in note (b) below.

Deferred tax has not been provided for in the consolidated financial statements in respect of the tax effect of temporary differences attributable to the accumulated undistributed earnings of the subsidiaries of the Company established in the PRC amounting to RMB2,214,770,000 (2022: RMB2,196,926,000) as the Company is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future.

The income tax expense for the year can be reconciled to the profit before tax as follows:

	2023 **RMB'000**	2022 RMB'000
Profit before tax	**52,611**	67,058
Tax at the PRC EIT rate of 25% (2022: 25%)	**13,153**	16,765
Tax effect of expenses not deductible for tax purpose (note a)	**7,758**	12,674
Tax effect of non-taxable income	**(11,719)**	(3,828)
Tax effect of tax losses not recognised	**10,389**	883
Utilisation of tax loss previously not recognised	**(19,221)**	(8,402)
Tax effect of deductible temporary difference not recognised	**31,133**	6,613
Tax effect of share of results of associates	**(384)**	(123)
Tax effect of share of results of joint ventures	**(1,211)**	(1,602)
Tax effect of different tax rates of certain subsidiaries (note b)	**(2,288)**	(1,671)
Others	**(7,965)**	(2,769)
Income tax expense	**19,645**	18,540

Notes:

(a) The expenses not deductible for tax purpose mainly represented share-based payment expenses, professional fees incurred by offshore companies and welfare and entertainment expenses which exceed the tax deduction limits under the EIT Law.

(b) The different tax rates mainly come from (i) a PRC company, which is registered in Shenzhen, enjoys the former three-year income tax exemptions and later three-year halves from the profit-making year of each contract, under the condition of annual registration as energy conservation and environmental protection enterprise at local tax bureau and (ii) certain PRC companies engage in the encouraged industries in the western region of the PRC, are entitled to the PRC income tax at a preferential rate of 15% for both the year ended 31 December 2023 and 2022.

For certain group entities engaged in property management services (the "PM Entities"), pursuant to the relevant local tax regulations in the PRC, the Group has elected to file combined tax return for the PM Entities incorporating assessable profit and tax losses attributable to the PM Entities as well as certain communities which are managed by the PM Entities under commission basis. As a result of such arrangement, the Group defers the payment of certain tax provision due to combining the tax losses of loss making communities.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

11. PROFIT FOR THE YEAR

	2023 RMB'000	2022 RMB'000
Profit for the year has been arrived at after charging:		
Directors' remuneration	4,481	1,658
Other staffs' salaries and other benefits	459,880	340,476
Retirement benefits scheme contributions	58,203	47,548
Total staff costs	522,564	389,682
Auditors' remuneration	4,200	4,800
Amortisation of intangible assets (note 22)	1,378	8,428
Depreciation of property, plant and equipment (note 15)	16,350	19,401
Depreciation of right-of-use assets (note 16)	19,007	19,871

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS

Details of the emoluments paid/payable to the directors and the chief executive of the Company during the year are as follows:

	2023 RMB'000	2022 RMB'000
Directors' fee	951	480
Other emoluments		
– salaries and other benefits	3,381	1,083
– retirement benefits scheme contributions	149	95
	4,481	1,658

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The emoluments of the directors and chief executive, disclosed pursuant to the applicable Listing Rules and CO, are as follows:

	Notes	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2023							
Executive Directors							
Mr. Pan Jun	iv	–	–	–	–	–	–
Mr. Zhu Guogang	ii	240	–	–	–	–	240
Mr. Chen Xinyu	iii	–	–	–	–	–	–
Mr. Liu Hongcai		–	641	1,755	98	–	2,494
Ms. Yang Lan	vi	–	326	659	51	–	1,036
		240	967	2,414	149	–	3,770
Non-executive Directors							
Mr. Wu Qingbin	v	–	–	–	–	–	–
Mr. Zheng Hongyan	viii	–	–	–	–	–	–
Ms. Sun Dongni	ix	–	–	–	–	–	–
Mr. Chen Wenjian	vii	–	–	–	–	–	–
Mr. Zhu Jindong	x	148	–	–	–	–	148
Mr. Timothy David Gildner	xi	–	–	–	–	–	–
		148	–	–	–	–	148
Independent non-executive Directors							
Mr. Xu Xinmin	xiii	232	–	–	–	–	232
Mr. Zhu Wuxiang	xii	180	–	–	–	–	180
Mr. Lee Yan Fai	xiv	91	–	–	–	–	91
Mr. Zhang Raymond Yue	xv	60	–	–	–	–	60
		563	–	–	–	–	563
Total		951	967	2,414	149	–	4,481

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

	Fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Retirement benefits scheme contributions RMB'000	Share-based payments RMB'000	Total RMB'000
Year ended 31 December 2022						
Executive Directors						
Mr. Pan Jun	–	–	–	–	–	–
Mr. Zhu Guogang	–	–	–	–	–	–
Mr. Chen Xinyu	–	–	–	–	–	–
Mr. Liu Hongcai	–	1,083	–	95	–	1,178
	–	1,083	–	95	–	1,178
Non-executive Directors						
Mr. Wu Qingbin	–	–	–	–	–	–
Mr. Zheng Hongyan	–	–	–	–	–	–
Ms. Sun Dongni	–	–	–	–	–	–
	–	–	–	–	–	–
Independent non-executive Directors						
Mr. Xu Xinmin	240	–	–	–	–	240
Mr. Zhu Wuxiang	240	–	–	–	–	240
	480	–	–	–	–	480
Total	480	1,083	–	95	–	1,658

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

Notes:

i The discretionary bonus is determined by the Board of Directors based on the Group's performance for each financial year.

ii Mr. Zhu Guogang resigned on 21 June 2023.

iii Mr. Chen Xinyu resigned on 23 June 2023.

iv Mr. Pan Jun resigned on 11 September 2023.

v Mr. Wu Qingbin was appointed as non-executive director on 26 March 2021 and resigned on 11 September 2023.

vi Ms. Yang Lan was appointed as executive director on 21 June 2023.

vii Mr. Chen Wenjian was appointed as non-executive director on 11 September 2023.

viii Mr. Zheng Hongyan resigned on 11 September 2023.

ix Ms. Sun Dongni resigned on 11 September 2023.

x Mr. Zhu Jindong was appointed as non-executive director on 11 September 2023.

xi Mr. Timothy David Gildner was appointed as non-executive director on 11 September 2023.

xii Mr. Zhu Wuxiang resigned on 25 September 2023.

xiii Mr. Xu Xinmin resigned on 18 December 2023.

xiv Mr. Lee Yan Fai was appointed as independent non-executive director on 14 June 2023.

xv Mr. Zhang Raymond Yue was appointed as independent non-executive director on 25 September 2023.

The executive directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group.

The non-executive directors' emoluments shown above were paid for their services as directors of the Company and its subsidiaries.

The independent non-executive directors' emoluments shown above were for their services as directors of the Company.

Mr. Zhu Jindong were the chief executive of the Company, and their emoluments disclosed above include those for services rendered by them as chief executive.

12. DIRECTORS', CHIEF EXECUTIVE'S AND EMPLOYEES' EMOLUMENTS *(Continued)*

The five highest paid individuals of the Group included 2 directors (2022: 1 director) for the year ended 31 December 2023. Details of their emoluments are set out above. The emoluments of the remaining 3 (2022: 4) of the five highest paid individuals is as follows:

	2023 **RMB'000**	2022 RMB'000
Employees		
– salaries and other benefits	**3,982**	3,131
– retirement benefits scheme contributions	**276**	297
	4,258	3,428

Their emoluments were within the following band:

	2023 **Number of employees**	2022 Number of employees
HKD500,001 to HKD1,000,000	**–**	3
HKD1,000,001 to HKD1,500,000	**2**	–
HKD1,500,001 to HKD2,000,000	**1**	1

During the years ended 31 December 2023 and 2022, no emoluments were paid by the Group to any of the directors of the Company or the five highest paid individuals (including directors and employees) as an inducement to join or upon joining the Group or as compensation for loss of office.

In addition, no directors waived any emoluments during the years ended 31 December 2023 and 2022.

13. DIVIDENDS

During the year ended 31 December 2023, no dividend was declared and paid in respect of the year ended 31 December 2022.

The Directors of the Company did not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

14. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	2023	2022
Earnings (RMB'000)		
Earning for the purposes of basic and diluted earnings per share (profit for the year attributable to owners of the Company)	**23,007**	31,358
Number of shares ('000)		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**1,487,526**	1,487,526

For the years ended 31 December 2023 and 2022, the computation of diluted earnings per share does not assume the exercise of certain share options granted by the Company as the exercise prices of the respective options were higher than the average market price per share.

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings RMB'000	Leasehold improvement RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
COST					
At 1 January 2022	3,292	64,840	216,010	3,723	287,865
Additions	273	13,184	6,708	385	20,550
Disposals	–	(1,977)	(377)	–	(2,354)
At 31 December 2022	**3,565**	**76,047**	**222,341**	**4,108**	**306,061**
Additions	**–**	**17,846**	**7,330**	**311**	**25,487**
Disposals	**(233)**	**(267)**	**(4,317)**	**(136)**	**(4,953)**
At 31 December 2023	3,332	93,626	225,354	4,283	326,595
ACCUMULATED DEPRECIATION					
At 1 January 2022	1,525	48,315	198,895	3,645	252,380
Provided for the year	706	11,251	7,372	72	19,401
Eliminated on disposals	–	(272)	(285)	–	(557)
At 31 December 2022	**2,231**	**59,294**	**205,982**	**3,717**	**271,224**
Provided for the year	**102**	**11,627**	**4,556**	**65**	**16,350**
Eliminated on disposals	**(196)**	**–**	**(3,630)**	**(93)**	**(3,919)**
At 31 December 2023	**2,137**	**70,921**	**206,908**	**3,689**	**283,655**
CARRYING VALUES					
At 31 December 2023	**1,195**	**22,705**	**18,446**	**594**	**42,940**
At 31 December 2022	1,334	16,753	16,359	391	34,837

The above items of property, plant and equipment less their residual values are depreciated on a straight-line basis over the following period:

Leasehold land and buildings	Over the shorter of the term of lease or 50 years
Leasehold improvement	Over the shorter of the term of lease or 3-10 years
Furniture, fixtures and equipment	3-5 years
Motor vehicles	5-10 years

16. RIGHT-OF-USE ASSETS

	Office premises and apartments RMB'000	Leasehold lands RMB'000	Total RMB'000
As at 31 December 2023			
Carrying amount	**207,109**	**–**	**207,109**
As at 31 December 2022			
Carrying amount	202,058	61,745	263,803
For the year ended 31 December 2023			
Depreciation charge	**18,243**	**764**	**19,007**
For the year ended 31 December 2022			
Depreciation charge	17,518	2,353	19,871

	2023 RMB'000	2022 RMB'000
Expense relating to short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16	**173**	1,382
Expense relating to leases of low-value assets, excluding short-term leases and other leases with lease terms ended within 12 months of the date of initial application of HKFRS 16, of low value assets	**309**	884
Total cash outflow for leases	**9,358**	10,703
Additions to right-of-use assets	**23,297**	233
Loss on termination of lease contracts	**60,981**	–

For both years, the Group leases office premises for its operations. Lease contracts are entered into for fixed term of 2 years to 20 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

16. RIGHT-OF-USE ASSETS *(Continued)*

The Group has no extension and/or termination options in a number of leases for office premises and apartments. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. The majority of extension and termination options held are exercisable only with consent of the Group and the respective lessors. As the Group has no enforceable rights and obligations to extend or terminate the leases, therefore, the Group has not considered those periods beyond the initial non-cancellable period and has not considered the early termination option in the non-cancellable period in the assessment of lease terms.

The above items of right-of-use are depreciated on a straight-line basis over the following period:

Office premises and apartments	2-20 years

17. INVESTMENT PROPERTIES

	RMB'000
At 1 January 2022	26,504
Disposals	(3,282)
Net change in fair value recognised in profit or loss	(897)
At 31 December 2022	22,325
Disposals	(1,263)
Net change in fair value recognised in profit or loss	(1,501)
At 31 December 2023	19,561

The fair values of the Group's completed investment properties at 31 December 2023 and 2022 have been arrived at on the basis of valuations carried out on those dates by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, respectively, being independent qualified professional valuer not connected with the Group which have appropriate qualification and relevant experiences in valuation of similar properties in the relevant locations. The valuations of completed investment properties were arrived at by reference to market evidence of transaction prices for similar properties in the similar locations and conditions, where appropriate. In estimating the fair value of the properties, the highest and best use of the properties is their current use.

17. INVESTMENT PROPERTIES *(Continued)*

The investment properties are not held within a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time and therefore the presumption to recover entirely through sale is not rebutted. The Group has recognised deferred taxation on fair value changes in investment properties taking into account the land appreciation tax upon disposal.

All of the Group's property interests held under operating leases to earn rentals or for capital appreciation purposes are measured using the fair value model and are classified and accounted for as investment properties.

The fair values of these investment properties as at 31 December 2023 and 2022 are determined by direct comparison method which is based on market observable transaction of similar properties and adjusted to reflect the condition of the subject property and differences in location.

The following table gives information about how the fair values of these investment properties as at 31 December 2023 and 2022 are determined (in particular, the valuation techniques and inputs used), as well as the fair value hierarchy into which the fair value measurements are categorised into level 3 based on the degree to which the inputs to the fair value measurements is observable.

Investment properties held by the Group	**Fair value as at 31 December 2023** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	19,561	Huizhou, Tianjin, Chengdu, Jingzhou and Jiujiang	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	Market unit sales price (RMB/sqm): 4,600 – 22,300	significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					Adjustment made to account for differences in location: 2% – 9%	significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

Investment properties held by the Group	**Fair value as at 31 December 2022** RMB'000	**Location**	**Fair value hierarchy**	**Valuation techniques and key inputs**	**Significant observable/ unobservable inputs**	**Sensitivity**
Investment properties	22,325	Huizhou, Tianjin, Chengdu, Jingzhou and Jiujiang	Level 3	Direct comparison method – based on market observable transactions of similar properties and adjusted to reflect the conditions and locations of the subject property.	Market unit sales price (RMB/sqm): 5,500 – 23,900	significant increase/ decrease in market unit sales rate would result in significant increase/ decrease in fair value.
					Adjustment made to account for differences in location: 1% – 9%	significant increase/ decrease in adjustment would result in significant decrease/increase in fair value.

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18. INTERESTS IN ASSOCIATES

	2023 RMB'000	2022 RMB'000
Cost of investments, unlisted	**37,761**	35,311
Share of post-acquisition results, net of dividends received	**4,765**	3,290
	42,526	38,601

Particulars of the Group's interests in principal associates at the end of the reporting period are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group		Proportion of voting power held by the Group		Principal activities
			2023	2022	**2023**	2022	
青島西發物業發展有限公司 Qingdao Xifa Property Development Co., Ltd. ("Qingdao Xifa") (note d)	PRC	PRC	**10%**	10%	**10%**	10%	Property management in the PRC

Notes:

(a) During the year ended 31 December 2023, the Group made total investment of RMB2,450,000 (2022: RMB3,436,000) to establish and acquire certain associates. The associates mainly act as investment holdings companies and invest in community-related services.

(b) During the year ended 31 December 2022, the Group has disposed of its interests in certain associates to independent third parties at a total consideration of RMB5,901,000, with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) During the year ended 31 December 2022 and 2023, no dividend was received from associates.

(d) Pursuant to the shareholders' agreement, the Group has 10% voting right at the shareholders' meeting and the board of directors of Qingdao Xifa, the governing body which directs the relevant activities that significantly affect the returns, consists of seven directors of which the Group and other two shareholders can appoint two directors, four directors and one director, respectively. The approval of relevant activities require a simple majority of directors' votes, therefore, Qingdao Xifa is accounted for as an associate of the Group.

Summarised financial information in respect of the Group's associates prepared in accordance with HKFRSs which is immaterial is set out below:

	2023 RMB'000	2022 RMB'000
Information of the associates that is not material:		
The Group's share of profit and other comprehensive income	**760**	493

19. INTERESTS IN JOINT VENTURES

	2023 RMB'000	2022 RMB'000
Cost of investments, unlisted	**100,121**	102,020
Share of post-acquisition results, net of dividends received	**15,869**	10,826
	115,990	112,846

Particulars of the Group's interests in principal joint ventures at the reporting dates are as follows:

Name of entities	Place of incorporation/ establishment	Place of operation	Equity interest attributable to the Group	Proportion of voting power held by the Group	Principal activities
			2023 and 2022	2023 and 2022	
深圳懿軒科技有限公司 Shenzhen Yixuan Technology Co., Ltd. ("Shenzhen Yixuan") (note a)	PRC	PRC	**46%**	**46%**	Provision of parking services

Notes:

(a) Pursuant to the amended shareholder's agreement, the Group has 46% voting right at the shareholder's meeting of Shenzhen Yixuan, the governing body which directs the relevant activities that significantly affect the returns of Shenzhen Yixuan. Other than the Group, Shenzhen Yixuan has another two shareholders, which hold the 44% and 10% equity interests in Shenzhen Yixuan, respectively. The approval of relevant activities require two-third of the voting power in the shareholders' meeting, therefore, Shenzhen Yixuan is jointly controlled by the Group and the 44% shareholder.

(b) During the year ended 31 December 2023, the Group has disposed of its interests in certain joint ventures to independent third parties at a total consideration of RMB200,000 (2022: RMB16,993,000) with insignificant gain recognised in the consolidated statement of profit or loss and other comprehensive income.

(c) During the year ended 31 December 2022 and 2023, no dividend was received from joint ventures.

Summarised financial information in respect of the Group's joint ventures prepared in accordance with HKFRSs which is immaterial is set out below:

	2023 RMB'000	2022 RMB'000
Information of the joint ventures that is not material:		
The Group's share of (loss) profit and other comprehensive (expense) income	**(603)**	6,408

20. EQUITY INSTRUMENTS DESIGNATED AT FVTOCI

	Note	**2023** **RMB'000**	2022 RMB'000
Unlisted equity investments	(a)	**13,282**	25,139

Note:

(a) These unlisted equity securities represented the investments in certain private entities, which represented the equity interests ranging from 1% to 20% in the investees as at 31 December 2023 and 2022. The investees are mainly engaged in property management services. These investments are not regarded as associate or joint venture of the Group because the Group has no right to appoint directors under such investment arrangements. Details of the fair value measurement of the investments are set out in note 37(c).

21. GOODWILL

	RMB'000
COST	
At 1 January 2022	887,140
Acquisition of subsidiaries (note a)	4,600
At 31 December 2022	891,740
Acquisition of subsidiaries (note a)	20,968
Disposal of subsidiaries	(4,894)
At 31 December 2023	907,814
IMPAIRMENT	
At 1 January 2022, 31 December 2022 and 2023	870
CARRYING VALUES	
At 31 December 2023	906,944
At 31 December 2022	890,870

Notes:

(a) During the year ended 31 December 2023, the Group acquired certain subsidiaries, which engages in property management services in PRC, at a total consideration of RMB45,003,000, after consideration of the insignificant net assets acquired, goodwill amounting to approximately RMB20,968,000 was arose on the aforesaid acquisitions.

During the year ended 31 December 2022, the Group acquired certain subsidiaries, which engages in property management services in PRC, at a total consideration of RMB4,600,000, after consideration of the insignificant net assets acquired, goodwill amounting to approximately RMB4,600,000 was arose on the aforesaid acquisitions.

21. GOODWILL *(Continued)*

For the purpose of impairment testing, goodwill above has been allocated to certain groups of cash-generating units ("CGU"), comprising Shenzhen region, Southern China, Eastern China, Southwestern China, Northwestern China, Northeastern China, Northern China and Central China. As at 31 December 2022 and 2023, the carrying amounts of goodwill (net of accumulated impairment losses) allocated to these groups of CGU are as follows:

	2023	2022
	RMB'000	RMB'000
Shenzhen region	**9,707**	9,707
Southern China	**199,331**	199,331
Eastern China	**302,213**	302,213
Southwestern China	**248,512**	251,394
Northwestern China	**13,827**	13,827
Northeastern China	**5,650**	7,662
Northern China	**71,099**	69,257
Central China	**56,605**	37,479
	906,944	890,870

During the years ended 31 December 2023, the management of the Group determined that there is no impairment of any of these groups of CGU containing goodwill arising from the acquisition of businesses and/or business combination under common control.

The recoverable amounts of the above groups of CGU have been determined based on a value-in-use calculation. The calculation uses cash flow projection based on financial budgets approved by the management covering a five-year period, growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates as at 31 December 2023 and 2022.

Cash flow projections during the budget period for the groups of CGU are based on the management's key estimation of future cash flows including the growth rates in revenue, estimated gross profit, estimated profit before tax and discount rates.

The discount rates reflect specific risks relating to the relevant group of CGU. The growth rates within the five-year period have been based on past experience and management's expectation of market development. The cash flows beyond the five-year period are extrapolated using zero growth rate.

21. GOODWILL *(Continued)*

	2023	2022
Discount rates	**15.3%**	14%
Growth rate within the five-year period	**2% – 8%**	2% – 8%

The management of the Group believes that any reasonably possible change in the key estimation of the value-in-use calculation would not cause the carrying amounts to exceed its recoverable amounts.

22. INTANGIBLE ASSETS

	Property management contracts and customers' relationship RMB'000
At 1 January 2022, 31 December 2022 and 2023	168,686
AMORTISATION	
At 1 January 2022	158,880
Provided for the year	8,428
At 31 December 2022	167,308
Provided for the year	1,378
At 31 December 2023	168,686
CARRYING AMOUNT	
At 31 December 2023	–
At 31 December 2022	1,378

The property management contracts and customers' relationship were acquired from third parties through the acquisition of subsidiaries and/or business combination under common control.

The intangible assets have finite useful lives and are amortised on a straight-line basis over 5 years to 15 years, taking into account the prior experience of the renewal pattern of property management contracts.

23. CONTRACT ASSETS

	2023 RMB'000	2022 RMB'000
Unbilled revenue of equipment installation services	**63,102**	46,139
Less: allowance for credit losses	**(30,774)**	(6,261)
	32,328	39,878

As at 1 January 2022, contract assets amounted to RMB90,483,000.

Contract assets mainly represent unbilled revenue of equipment installation services. The unbilled revenue of equipment installation services relate to the installation of energy-saving lighting systems for the communities managed by the Group. The Group allows the customers to settle the installation fee over a 48-month interest-free period. According to the agreements between the Group and the customers, the energy-saving systems are installed in these residential communities and the Group would bill the residential communities at the end of each month over the 48-month period. Upon the rights to consideration for the equipment installation services become unconditional, the amounts are transferred out of contract assets to trade receivables.

Movements of allowance for credit losses

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2022	**3,053**	**2,361**	**5,414**
Impairment loss, net of reversal	**847**	**–**	**847**
Transfer to credit-impaired	**(2,495)**	**2,495**	**–**
Balance at 31 December 2022	**1,405**	**4,856**	**6,261**
Impairment loss, net of reversal	**24,513**	**–**	**24,513**
Transfer to credit-impaired	**(15,238)**	**15,238**	**–**
Balance at 31 December 2023	**10,680**	**20,094**	**30,774**

Details of the impairment assessment are set out in note 37(b).

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	2023 RMB'000	2022 RMB'000
Trade receivables	**858,322**	767,575
Less: allowance for credit losses	**(206,514)**	(202,266)
	651,808	565,309
Other receivables and prepayments:		
Refundable deposits	**962,790**	980,747
Advances to staffs	**93,215**	88,025
Prepayments to suppliers	**242,867**	217,367
Consideration receivables for disposal of subsidiaries and other equity investments	**102,438**	396,402
Receivables for residential and commercial units rental assistance services on behalf of customers	**47,234**	6,694
Others	**168,748**	110,160
	1,617,292	1,799,395
Less: allowance for credit losses	**(156,835)**	(43,863)
	1,460,457	1,755,532
	2,112,265	2,320,841
Classified as:		
Non-current		
Other receivables	**6,007**	86,524
Current		
Trade receivables	**651,808**	565,309
Other receivables and prepayments	**1,454,450**	1,669,008
	2,106,258	2,234,317
	2,112,265	2,320,841

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Trade receivables are mainly arisen from property management services income from communities under lump sum basis, pre-delivery services and consultancy service arrangement, value-added services income and engineering services income.

Revenue from property management services from communities under lump sum basis are due for payment by property owners upon the issue of demand note, the receiving pattern is normally within 30 days to 1 year after the issue of demand notes to the residents.

Revenue from property management services for pre-delivery services are received in accordance with the terms of the relevant service agreements with the property developers, normally within 30 to 90 days from the issue of demand note.

Revenue from property management services for consultancy service arrangement are received in accordance with the terms of the relevant service agreements with the property management companies, normally within 30 to 90 days from the issue of demand note.

Revenue from value-added services are received in accordance with the terms of the relevant service agreements, normally within 30 to 90 days from the issue of demand note.

Revenue from engineering services are received in accordance with the terms of relevant service agreements, normally within 30 to 90 days from the issue of payment requests.

The following is an aging analysis of trade receivables presented based on the invoice date or date of demand note at the end of the reporting period, which the invoice date or the date of demand note represented the payment due date:

	2023 **RMB'000**	2022 RMB'000
0-30 days	**122,044**	90,198
31-90 days	**101,165**	88,967
91-180 days	**117,186**	108,682
181-365 days	**119,626**	103,986
Over 1 year	**191,787**	173,476
	651,808	565,309

The Group does not hold any collateral over these balances as at 31 December 2023 and 2022.

24. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS *(Continued)*

Movements of allowance for credit losses in relation to trade receivables

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2022	4,243	135,937	140,180
Impairment loss, net of reversal	5,029	57,057	62,086
Transfer to credit-impaired	(6,067)	6,067	–
Balance at 31 December 2022	**3,205**	**199,061**	**202,266**
Impairment loss, net of reversal	**573**	**3,675**	**4,248**
Transfer to credit-impaired	**(36)**	**36**	**–**
Balance at 31 December 2023	**3,742**	**202,772**	**206,514**

The Group writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery or when the trade receivables are over two years past due, whichever occurs earlier.

Details of the impairment assessment are set out in note 37(b).

25. LOAN RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Fixed-rate loans provided to			
– online platform and community-related service companies	(a)	**194,737**	205,988
– property management companies		**–**	790
		194,737	206,778
Less: allowance for credit losses		**(52,798)**	(63,068)
		141,939	143,710

Notes:

(a) As at 31 December 2023, the Group has entered into loan agreements with certain independent third parties, which engages in provision of online platform and community-related services, regarding the fund provision of RMB194,737,000 (2022: RMB205,988,000). The loans carry interests ranging from 5% to 15% per annum and will mature in one year and are classified as current assets.

Movements of allowance for credit losses under lifetime ECL in relation to loan receivables

	Lifetime ECL (credit-impaired) RMB'000
Balance at 1 January 2022	62,936
Impairment loss, net of reversal	132
Balance at 31 December 2022	63,068
Impairment loss, net of reversal	(10,270)
Balance at 31 December 2023	52,798

Details of the impairment assessment are set out in note 37(b).

26. DEFERRED TAXATION

The following are the major deferred tax assets (liabilities) recognised and movements thereon during the years ended 31 December 2023 and 2022:

	Allowance for credit losses RMB'000	Temporary difference on contract assets and others RMB'000	Fair value adjustments of properties RMB'000	Fair value adjustments of equity instrument designated at FVTOCI RMB'000	Intangible assets RMB'000	Total RMB'000
At 1 January 2022	88,308	22,621	(5,633)	(5,796)	(2,451)	97,049
Credit to profit or loss	30,054	(12,651)	224	–	2,107	19,734
Disposal of equity instruments designated at FVTOCI	–	–	–	2,864	–	2,864
Charge to other comprehensive income	–	–	–	88	–	88
At 31 December 2022	118,362	9,970	(5,409)	(2,844)	(344)	119,735
Credit to profit or loss	3,377	3,869	375	–	344	7,965
Disposal of equity instruments designated at FVTOCI	–	–	–	(10)	–	(10)
Charge to other comprehensive income	–	–	–	1,483	–	1,483
At 31 December 2023	121,739	13,839	(5,034)	(1,371)	–	129,173

For the purpose of presentation in the consolidated financial statements, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balance for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**129,421**	120,327
Deferred tax liabilities	**(248)**	(592)
	129,173	119,735

The Group had unutilised tax losses of RMB128,560,000 (2022: RMB163,888,000). No deferred tax asset has been recognised in respect of these tax losses due to the unpredictability of future profits streams.

The Group had deductible temporary difference of RMB989,896,000 (2022: RMB851,856,000). A deferred tax asset has been recognised in respect of RMB486,956,000 (2022: RMB473,448,000). No deferred tax asset has been recognised for the remaining amounts of RMB502,940,000 (2022: RMB378,408,000), as it is not probable that taxable profit will be available against which the deductible temporary differences can be utilised.

27. DEPOSITS PAID FOR POTENTIAL ACQUISITION OF SUBSIDIARIES

As at 31 December 2023, the Group has made deposits of RMB121,776,000 (2022: RMB122,174,000) in relation to the proposed acquisition of business through acquisition of certain property management companies from independent third parties. Pursuant to the sale and purchase agreements, in case the aforesaid acquisition is not completed, the deposit would be fully refunded to the Group by the vendors.

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS

	Notes	**2023** **RMB'000**	2022 RMB'000
Payments on behalf of residents	(a)		
– under commission basis	(c)	**1,084,062**	1,090,690
– under lump sum basis	(d)	**79,078**	135,584
– under consultancy services arrangements	(e)	**295**	–
		1,163,435	1,226,274
Less: allowance for credit losses		**(406,605)**	(388,066)
		756,830	838,208
Receipts on behalf of residents	(b)		
– under commission basis	(c)	**164,612**	288,372
– under lump sum basis	(d)	**15,573**	6,832
		180,185	295,204

Notes:

(a) The balances represent the current accounts with the property management offices of communities, which are the representatives of the residents of communities, managed by the Group. These property management offices of communities usually have no separate bank accounts because these property management offices have no separate legal identity. For the daily management of these property management offices of the communities, all transactions of these property management offices, including the collection of property management fees and the settlement of daily expenditures, were settled through the treasury function of the group entities.

(b) The balances represent the current accounts with individual residents of the communities managed by the Group.

(c) The balances represent the current accounts with the property management companies under commission basis services arrangement, including provision of treasury function by the Group for their management of the communities.

(d) A net receivable balance represents expenditures paid by the Group on behalf of the community, individual residents or property management companies in excess of the property management fees/reimbursements collected from the residents of that community. A net payable balance represents property management fee/reimbursements collected from residents of the community in excess of the expenditures paid by the Group on behalf of the community, individual residents or property management companies.

(e) The balances represent the current accounts with the property management companies under consultancy services management, including provision of treasury function by the Group for their management of the communities.

28. PAYMENTS/RECEIPTS ON BEHALF OF RESIDENTS *(Continued)*

Movements of allowance for credit losses under lifetime ECL in relation to payments on behalf of residents

	Lifetime ECL (not credit-impaired) RMB'000	Lifetime ECL (credit-impaired) RMB'000	Total RMB'000
Balance at 1 January 2022	11,023	337,305	348,328
Impairment loss, net of reversal	5,040	34,698	39,738
Transfer to credit-impaired	(7,618)	7,618	–
Balance at 31 December 2022	8,445	379,621	388,066
Impairment loss, net of reversal	1,254	17,285	18,539
Transfer to credit-impaired	(684)	684	–
Balance at 31 December 2023	9,015	397,590	406,605

The Group writes off payments on behalf of residents for a community when there is information indicating that the community is in severe financial difficulty and there is no realistic prospect of recovery.

Details of the impairment assessment are set out in note 37(b).

29. RESTRICTED BANK DEPOSITS AND BANK BALANCES AND CASH

For both the year ended 31 December 2023 and 2022, the Group's pledged bank deposits and bank balances carry interest at rates which range from 0.20% to 1.25% per annum, respectively.

At 31 December 2023, the restricted bank balances represented the balance of RMB50,269,000 (2022: RMB34,770,000) which was frozen under court notice in relation to the unfinalised legal proceedings.

30. TRADE AND OTHER PAYABLES AND ACCRUALS

	2023 RMB'000	2022 RMB'000
Trade payables	**378,876**	305,269
Other payables and accruals:		
Deposits received	**44,844**	21,513
Accrued staff costs	**118,833**	92,308
Provision for social insurance contributions	**20,970**	17,004
Other tax payable	**8,462**	10,700
Other payables and accruals	**17,894**	12,370
	211,003	153,895
Total	**589,879**	459,164

The credit period granted by suppliers to the Group ranges from 30 to 180 days. The following is an aging analysis of trade payables presented based on the invoice date at the end of each reporting period:

	2023 RMB'000	2022 RMB'000
0-60 days	**166,870**	137,464
61-180 days	**156,228**	94,892
181-365 days	**45,885**	63,563
Over 1 year	**9,893**	9,350
	378,876	305,269

31. CONTRACT LIABILITIES

	2023 **RMB'000**	2022 RMB'000
Advances from customers:		
Property management services	**249,366**	179,734
Engineering services	**3,976**	2,944
	253,342	182,678

As at 1 January 2022, contract liabilities amounted to RMB159,200,000.

The following table shows how much of the revenue recognised in the both reporting periods relates to carried-forward contract liabilities.

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2023	177,815	2,944	180,759

	Property management services RMB'000	**Engineering services** RMB'000	**Total** RMB'000
Revenue recognised that was included in the contract liabilities at the beginning of the year ended 31 December 2022	155,513	3,687	159,200

31. CONTRACT LIABILITIES *(Continued)*

Typical payment terms which impact on the amount of contract liabilities recognised are as follows:

When the Group receives the monthly property management service fee from customers in advance, it will give rise to contract liabilities, until the revenue recognised on the relevant contract upon provision of property management services, which are expected to be completed within one year from the date of advance payment made by customers.

When the Group receives a deposit before equipment installation commences, this will give rise to contract liabilities at the start of a contract, until the revenue recognised on the relevant contract exceeds the amount of the deposit, which are expected to be completed within two year from the date of advance payment made by customers.

The Group has applied the practical expedient in HKFRS 15 and has not considered the financing component of contracts within services are expected to be rendered within one year from the date of payment made by customers.

32. LEASE LIABILITIES

	2023	2022
	RMB'000	RMB'000
Lease liabilities payable:		
Within one year	**8,093**	2,711
More than one year but not more than two years	**7,820**	1,076
More than two years but not more than five years	**8,447**	3,452
More than five years	**3,391**	4,206
	27,751	11,445
Less: Amount due for settlement within one year shown under current liabilities	**(8,093)**	(2,711)
Amount due for settlement after one year shown under non-current liabilities	**19,658**	8,734

33. SHARE CAPITAL

	Number of shares '000	Amount HKD'000
Ordinary shares of HKD0.1 each		
Authorised:		
At 1 January 2022, 31 December 2022 and 2023	50,000,000	5,000,000
Issued and fully paid:		
At 1 January 2022, 31 December 2022 and 2023	1,487,526	148,753

	Amount RMB'000
Shown in the consolidated statement of financial position:	
At 31 December 2023	120,750
At 31 December 2022	120,750

34. SHARE OPTION SCHEMES

The Company's share option scheme (the "Colour Life's Scheme") was adopted pursuant to a resolution passed on 11 June 2014 for the primary purposes of providing incentives to directors of the Company, certain employees of the Group and non-controlling shareholders of certain subsidiaries ("Eligible Persons"). Under the Colour Life's Scheme, the Board of Directors of the Company is authorised to grant options at a consideration of HKD1 per option to the Eligible Persons to subscribe for shares in the Company.

The maximum number of shares which may be issued upon exercise of all options to be granted under the Colour Life's Scheme ("Colour Life's Options") and any other share option schemes of the Company shall not, in the absence of shareholders' approval, in aggregate exceed 10% of the shares of the Company in issue at any point in time. Colour Life's Options granted to a substantial shareholder or an independent non-executive director in excess of 0.1% of the Company's share capital or with a value in excess of HKD5 million must be approved in advance by the Company's shareholders.

34. SHARE OPTION SCHEMES *(Continued)*

The exercisable period of an option is determined by the directors at their discretion. The expiry date of the option may be determined by the Board of Directors of the Company which shall not be later than the expiry day of the Colour Life's Scheme.

The exercise price is determined by the directors of the Company, and will not be less than the greater of: (i) the closing price of the Company on the offer date; (ii) the average of the closing price of the Company's shares for the five trading days immediately preceding the offer of the options and (iii) the nominal value per share of the Company.

As at 31 December 2023, the total number of shares to be issued upon the exercise of all options granted under the Colour Life's Scheme is 45,532,000 (2022: 50,677,000) of HKD0.1 each, representing 3.06% (2022: 3.4%) of the issued share capital of the Company.

Details of the share options granted under the Colour Life's Scheme is as follows:

Category of grantees	Date of grant	Exercise price per share	Vesting period	Exercisable period
Directors	29 September 2014	HKD6.66	N/A	29/9/2014-28/9/2024
			29/9/2014-28/9/2015	29/9/2015-28/9/2024
			29/9/2014-28/9/2016	29/9/2016-28/9/2024
			29/9/2014-28/9/2017	29/9/2017-28/9/2024
	30 April 2015	HKD11.00	30/4/2015-29/4/2016	30/4/2016-29/4/2025
			30/4/2015-29/4/2017	30/4/2017-29/4/2025
			30/4/2015-29/4/2018	30/4/2018-29/4/2025
	18 March 2016	HKD5.76	18/3/2016-17/3/2017	18/3/2017-17/3/2026
			18/3/2016-17/3/2018	18/3/2018-17/3/2026
			18/3/2016-17/3/2019	18/3/2019-17/3/2026
	27 November 2018	HKD4.11	27/11/2018-26/11/2019	27/11/2019-26/11/2029
			27/11/2018-26/11/2020	27/11/2020-26/11/2029
			27/11/2018-26/11/2021	27/11/2021-26/11/2029
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	HKD6.66	N/A	29/9/2014-28/9/2024
			29/9/2014-28/9/2015	29/9/2015-28/9/2024
			29/9/2014-28/9/2016	29/9/2016-28/9/2024
			29/9/2014-28/9/2017	29/9/2017-28/9/2024
	30 April 2015	HKD11.00	30/4/2015-29/4/2016	30/4/2016-29/4/2025
			30/4/2015-29/4/2017	30/4/2017-29/4/2025
			30/4/2015-29/4/2018	30/4/2018-29/4/2025
	18 March 2016	HKD5.76	18/3/2016-17/3/2017	18/3/2017-17/3/2026
			18/3/2016-17/3/2018	18/3/2018-17/3/2026
			18/3/2016-17/3/2019	18/3/2019-17/3/2026
	27 November 2018	HKD4.11	27/11/2018-26/11/2019	27/11/2019-26/11/2028
			27/11/2018-26/11/2020	27/11/2020-26/11/2028
			27/11/2018-26/11/2021	27/11/2021-26/11/2028

34. SHARE OPTION SCHEMES *(Continued)*

The following table discloses movements of the Company's share options held by directors of the company, employees of the Group and non-controlling shareholders of certain subsidiaries during the years ended 31 December 2023 and 2022:

Category of grantees	Date of grant	Vesting period	Outstanding at 1 January 2022 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2022 '000	Granted during the year '000	Lapsed during the year '000	Exercised during the year '000	Outstanding at 31 December 2023 '000
Directors	29 September 2014	N/A	375	–	(13)	–	362	–	(362)	–	–
		29/9/2014-28/9/2015	869	–	(32)	–	837	–	(366)	–	471
		29/9/2014-28/9/2016	870	–	(32)	–	838	–	(366)	–	472
		29/9/2014-28/9/2017	344	–	(13)	–	331	–	(66)	–	265
	30 April 2015	30/4/2015-29/4/2016	222	–	(43)	–	179	–	(130)	–	49
		30/4/2015-29/4/2017	221	–	(42)	–	179	–	(130)	–	49
		30/4/2015-29/4/2018	340	–	(65)	–	275	–	(205)	–	70
	18 March 2016	18/3/2016-17/3/2017	332	–	(60)	–	272	–	(231)	–	41
		18/3/2016-17/3/2018	331	–	(60)	–	271	–	(231)	–	40
		18/3/2016-17/3/2019	333	–	(60)	–	273	–	(232)	–	41
	27 November 2018	27/11/2018-26/11/2019	901	–	(30)	–	871	–	(125)	–	746
		27/11/2018-26/11/2020	900	–	(30)	–	870	–	(125)	–	745
		27/11/2018-26/11/2021	933	–	(30)	–	903	–	(127)	–	776
			6,971	–	(510)	–	6,461	–	(2,696)	–	3,765
Employees and non-controlling shareholders of certain subsidiaries	29 September 2014	N/A	2,065	–	(444)	–	1,621	–	(782)	–	839
		29/9/2014-28/9/2015	4,440	–	(954)	–	3,486	–	(127)	–	3,359
		29/9/2014-28/9/2016	4,440	–	(954)	–	3,486	–	(127)	–	3,359
		29/9/2014-28/9/2017	2,292	–	(493)	–	1,799	–	(127)	–	1,672
	30 April 2015	30/4/2015-29/4/2016	3,348	–	(218)	–	3,130	–	(273)	–	2,857
		30/4/2015-29/4/2017	3,347	–	(218)	–	3,129	–	(273)	–	2,856
		30/4/2015-29/4/2018	3,347	–	(218)	–	3,129	–	(273)	–	2,856
	18 March 2016	18/3/2016-17/3/2017	3,650	–	(411)	–	3,239	–	(113)	–	3,126
		18/3/2016-17/3/2018	3,650	–	(411)	–	3,239	–	(114)	–	3,125
		18/3/2016-17/3/2019	3,648	–	(411)	–	3,237	–	(114)	–	3,123
	27 November 2018	27/11/2018-26/11/2019	4,922	–	(15)	–	4,907	–	(42)	–	4,865
		27/11/2018-26/11/2020	4,922	–	(15)	–	4,907	–	(42)	–	4,865
		27/11/2018-26/11/2021	4,922	–	(15)	–	4,907	–	(42)	–	4,865
			48,993	–	(4,777)	–	44,216	–	(2,449)	–	41,767
Total			55,964	–	(5,287)	–	50,677	–	(5,145)	–	45,532
Exercisable at the end of the year							50,677				45,532
Weighted average exercise price (HKD)							6.46				6.36

Note: During the year ended 31 December 2023, 5,145,000 (2022: 5,287,000) share options to employees were lapsed.

34. SHARE OPTION SCHEMES *(Continued)*

The closing price of the shares on the date of grant was HKD6.66 on 29 September 2014, HKD10.88 on 30 April 2015, HKD5.76 on 18 March 2016 and HKD4.11 on 27 November 2018, respectively. Binomial Option – Pricing Model had been used to estimate the fair value of the options. The variables and assumptions used in computing the fair value of the share options are based on the Company's best estimate. The value of an option varies with different variables of certain subjective assumptions. The inputs into the model are as follows:

	27 November 2018	18 March 2016	30 April 2015	29 September 2014
Market price	HKD4.11	HKD5.76	HKD10.88	HKD6.66
Exercise price	HKD4.11	HKD5.76	HKD11.00	HKD6.66
Expected volatility	50.79%	46.2%	46.26%	48.82%
Expected life	10 years	10 years	10 years	10 years
Risk-free rate	2.28%	1.27%	1.63%	2.01%
Expected dividend yield	3.65%	1.55%	0.83%	0.01%

Expected volatility was determined by using the historical volatility of the daily share price of comparable companies.

The estimated fair value of the options at the date of grant was RMB114,820,000 on 29 September 2014, RMB104,714,000 on 30 April 2015, RMB72,023,000 on 18 March 2016 and RMB24,625,000 on 27 November 2018, respectively. No expense was recognised for the year ended 31 December 2023 (2022: Nil) in relation to share options granted by the Company.

35. SHARE AWARD SCHEME

The Board of Directors of the Company has adopted a share award scheme (the "Share Award Scheme") on 4 July 2016 for certain employees of the Group and consultants to the Group as incentives or rewards for their contribution to the Group by way of the Company's shares acquired by and held through an independent trustee appointed by the Company (the "Trustee") until fulfilment of special conditions before vesting.

During the years ended 31 December 2023 and 2022, no shares held for the Share Award Scheme were awarded. Up to 31 December 2023 and 2022, total of 1,802,000 Company's shares acquired have not been awarded to eligible employees or consultants.

36. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year. The capital structure of the Group consists of net debts, amounts due to related parties as disclosed in note 44(b), net of cash and cash equivalents, and equity attributable to owners of the Company comprising share capital and reserves. In managing the Group's capital structure, the management will also monitor the utilisation of borrowings to ensure compliance with financial covenants.

The management of the Group reviews the capital structure periodically and considers the cost of capital and the risks associated with each class of capital. Based on recommendations of the management, the directors of the Company will balance its overall capital structure through new share issues and payment of dividends as well as the issue of new debt or the redemption of existing debt.

37. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	2023 **RMB'000**	2022 RMB'000
Financial assets		
Financial assets at amortised cost	**3,892,676**	3,647,857
Equity instruments designated at FVTOCI	**13,282**	25,139
Financial liabilities		
Amortised cost	**683,009**	777,781

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade and other receivables, loan receivables, amounts due from related parties, equity instruments designated at FVTOCI, restricted bank deposits, bank balances and cash, receipts/payments on behalf of residents, trade and other payables and amounts due to related parties. Details of these financial instruments are disclosed in respective notes.

The management of the Group monitors and manages the financial risks relating to the operations of the Group through internal risk assessment which analyses exposures by degree and magnitude of risks. The risks included market risk (including currency risk and interest rate risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The Group has bank balances which are denominated in foreign currencies of the relevant group entities, hence is exposed to exchange rate fluctuations.

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the respective reporting period are as follows:

	2023	2022
	RMB'000	RMB'000
Assets		
USD	**30**	423
HKD	**9,583**	2,086

The Group currently does not enter into any derivative contracts to minimise the currency risk exposure. However, the management will consider hedging significant currency risk should the need arise.

Sensitivity analysis

The Group mainly exposes to the effects of fluctuation in HKD and USD against RMB.

The following table details the Group's sensitivity to a 10% (2022: 10%) increase and decrease in the RMB against the relevant foreign currencies. 10% (2022: 10%) is the sensitivity rate used in the current year in respect of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation at the year-end for a 10% change in foreign currency rates. The sensitivity analysis includes bank balances and bank borrowings. A negative number indicates a decrease in profit for the year where the RMB strengthens 10% against the relevant currencies. For a 10% weakening of the RMB against the relevant currencies, there would be an equal and opposite impact on the profit, and the balances below would be positive.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Market risk (Continued)

(i) Currency risk *(Continued)*

Foreign currency sensitivity analysis

	2023 **RMB'000**	2022 RMB'000
HKD		
Decrease in profit for the year	**(958)**	–
USD		
Decrease in profit for the year	**(3)**	(42)

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the years.

(ii) Interest rate risk

The Group is exposed to cash flow interest rate risks due to the fluctuation of the prevailing market interest rate on restricted bank deposits and bank balances. It is the Group's policy to keep its borrowings at floating rate of interests so as to minimise the fair value interest rate risk. The Group's exposures to interest rates on financial liabilities are detailed in liquidity risk management section of this note. The Group's cash flow interest risk is mainly concentrated on the fluctuation of benchmark quoted by the leading banks for the borrowings.

The Group is exposed to fair value interest rate risk in relation to, lease liabilities, amount due from a fellow subsidiary and fixed-rate loan receivables (see notes 32, 44(b), 25). The Group currently does not have interest rate hedging policy. However, the Group monitors interest rate exposure and will consider hedging significant interest rate exposure should the need arise.

Sensitivity analysis

Bank balances and restricted bank deposits

The sensitivity analysis below has been determined based on the exposure to interest rate for the bank balances and restricted bank deposits at the end of the reporting period. A 25 basis points increase or decrease for the year ended 31 December 2023 (2022: 25 basis points) is used and represents management's assessment of the reasonably possible change in interest rates.

If the interest rates had been higher/lower by 25 basis points during the year and all other variables were held constant, the Group's profit for the year would have increased/decreased by RMB1,980,000 (2022: RMB1,481,000).

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment

As at 31 December 2023 and 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

Trade receivables arising from contracts with customers

In order to minimise the credit risk, the Group uses debtors' aging to assess the customers' abilities to settle the debtors in accordance with the contractual terms on a timely basis and monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on trade receivables based on provision matrix. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of trade receivables with exposure spread over a number of customers.

Payments on behalf of residents and contract assets

In order to minimise the credit risk, the Group applies internal credit rating for its customers on payments on behalf of residents and contract assets on a timely basis and has monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group performs impairment assessment under ECL model on payments on behalf of residents and contract assets based on collective basis. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The Group had no concentration of credit risk in respect of the payments on behalf of residents and contract assets with exposure spread over a number of counterparties. The payments on behalf of residents and contract assets from each counterparty contributed less than 10% of payments on behalf of residents and contract assets at the end of the reporting period.

Other receivables, loan receivables and amounts due from related parties and bank balances

The credit risk of other receivables, loan receivables, amounts due from related parties are managed through an internal process. The credit quality of each counterparty is investigated before an advance is made. The Group also actively monitors the outstanding amounts owed by each debtor and identifies any credit risks in a timely manner in order to reduce the risk of a credit related loss. Further, the Group closely monitors the financial performance of the related parties, including fellow subsidiaries, non-controlling shareholders of the subsidiaries, associates, joint ventures and other related parties.

The credit-impaired loan receivables and amount due from a joint venture are assessed for ECL individually.

The Group's credit risk on liquid funds is limited because the counterparties are banks with high credit ratings and good reputation established in the PRC and Hong Kong.

In addition, the directors of the Company reviewed and assessed the Group's existing financial assets for impairment using reasonable and supportable information, including historical experience and forward-looking information that is available without undue cost or effort in accordance with the requirements of HKFRS 9.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

The tables below detail the credit risk exposures of the Group's financial assets and contract assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	Notes	12m or life-time ECL	2023 Gross carrying amount RMB'000	2022 Gross carrying amount RMB'000
Financial assets at amortised cost						
– Trade receivables	N/A	(i)	24	Life-time ECL (provision matrix)	226,951	182,370
				Life-time ECL (credit-impaired and provision matrix)	631,371	585,205
					858,322	767,575
– Payments on behalf of residents	N/A	(ii)	28	Life-time ECL (collective basis)	509,420	491,410
				Life-time ECL (credit-impaired and collective basis)	654,015	734,864
					1,163,435	1,226,274
– Loan receivables	N/A	(v)	25	12m ECL	138,000	100,000
				Life-time ECL (credit-impaired)	56,737	106,778
					194,737	206,778
– Amount due from related parties	N/A	(iv)	44(b)	Life-time ECL (credit-impaired)	479,818	294,278
– Other receivables, remaining amounts due from related parties	N/A	(vi)	24/44(b)	12m ECL	1,118,208	1,310,872
– Restricted bank balances and bank balances	AAA	N/A	29	12m ECL	998,173	789,758
Contract assets	N/A	(iii)	23	Life-time ECL (collective basis)	41,950	41,027
				Life-time ECL (credit-impaired and collective basis)	21,152	5,112
					63,102	46,139

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes:

(i) Trade receivables

As part of the Group's credit risk management, the Group applies internal credit rating for trade receivables based on debtors' aging to assess the impairment for its customers because these customers consist of a large number of individual customers with common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The following table provides information about the exposure to credit risk and ECL for trade receivables which are assessed collectively based on provision matrix as at 31 December 2023 and 2022.

		2023			2022		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
0-30 days	Not credit-impaired	**0.5%**	**122,657**	**613**	0.5%	90,651	453
31-90 days	Not credit-impaired	**3.0%**	**104,294**	**3,129**	3.0%	91,719	2,752
91-180 days	Credit-impaired	**6.0%**	**124,666**	**7,480**	6.0%	115,619	6,937
181-365 days	Credit-impaired	**15.0%**	**140,736**	**21,110**	15.0%	122,336	18,350
1-2 years	Credit-impaired	**35.0%**	**295,057**	**103,270**	35.0%	266,886	93,410
Over 2 years	Credit-impaired	**100.00%**	**70,912**	**70,912**	100.0%	80,364	80,364
			858,322	**206,514**		767,575	202,266

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(ii) Payments on behalf of residents

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on payments on behalf of residents on a timely basis. The Group uses four categories for those receivables which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group have terminated or plan to terminate or non-renew of the related property management contracts because their financial performance does not meet the Group's expectations. The amounts are credit-impaired and there is no realistic prospect of recovery.
Type II	Communities to which the Group provides the pre-delivery property management services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual residents and there is lower risk of default.
Type III	Communities where management offices' property management fee receivables due from residents exceed payments on behalf of residents of the relevant communities. The residents of the communities are diversified and have a low risk of default.
Type IV	Communities where payments on behalf of residents exceed management offices' property management fees receivables due from residents, which indicates the payments on behalf of residents are credit-impaired.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(ii) Payments on behalf of residents *(Continued)*

The following table provides information about the exposure to credit risk and ECL for payments on behalf of residents which are assessed on collective basis as at 31 December 2023 and 2022.

		2023			2022		
	Category	**Average loss rate**	**Gross carrying amount RMB'000**	**Impairment loss allowance RMB'000**	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Credit-impaired	**95.0%**	**355,716**	**337,930**	95.0%	310,198	294,688
Type II	Not credit-impaired	**5.0%**	**98,020**	**4,901**	5.0%	88,283	4,414
Type III	Not credit-impaired	**1.0%**	**411,400**	**4,114**	1.0%	403,127	4,031
Type IV	Credit-impaired	**20.0%**	**298,299**	**59,660**	20.0%	424,666	84,933
			1,163,435	**406,605**		1,226,274	388,066

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(iii) Contract assets

As part of the Group's credit risk management, the Group applies internal credit rating for its customers on contract assets on a timely basis. The Group uses three categories for those contract assets which reflect their credit risk.

Category	**Group definition of category**
Type I	Communities which the Group consider that low risk of default because the performance of installed engineering equipment meet the Group's expectations and no financial difficulty is identified.
Type II	Communities to which the Group provides the equipment installation services and settled with the property developers before the properties are delivered to owners. The property developer has stronger capability to meet contractual cash flows than individual property management offices and there is lower risk of default.
Type III	Communities which the Group consider that no realistic prospect of recovery because the performance of installed engineering equipment does not meet the Group's expectations or financial difficulty of the property management office is identified. The amounts are credit-impaired and there is no realistic prospect of recovery.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Credit risk and impairment assessment (Continued)

Notes: *(Continued)*

(iii) Contract assets *(Continued)*

The following table provides information about the exposure to credit risk and ECL for contract assets which are assessed on collective basis as at 31 December 2023 and 2022.

		2023			2022		
	Category	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000	Average loss rate	Gross carrying amount RMB'000	Impairment loss allowance RMB'000
Type I	Not credit-impaired	**5.0%**	**27,647**	**1,383**	3.0%	37,536	1,126
Type II	Not credit-impaired	**65.0%**	**14,303**	**9,297**	8.0%	3,491	279
Type III	Credit-impaired	**95.0%**	**21,152**	**20,094**	95.0%	5,112	4,856
			63,102	**30,774**		46,139	6,261

The expected average loss rate are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking macroeconomic data that is available without undue cost or effort.

(iv) Amount due from joint ventures included due from related parties

During the year ended 31 December 2023, the joint ventures suffered losses in the sub-leasing business and is in financial difficulty. In the opinion of the directors of the Company, the risk of default by the joint ventures is decreased and the Group reversed RMB20,071,000 (2022: provided RMB20,452,000) credit loss allowance under life-time ECL during the year ended 31 December 2023.

As at 31 December 2023, the accumulated credit loss allowance under life-time ECL was RMB271,532,000 (2022: RMB291,603,000).

(v) Loan receivables

For the purposes of internal credit risk management, the Group applies internal credit rating of loan receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. In the opinion of the directors of the Company, the risk of default by these counterparties is decreased and reversed RMB10,270,000 (2022: provided RMB132,000) credit loss allowances during the year ended 31 December 2023.

(vi) Other receivables

For the purposes of internal credit risk management, the Group applies internal credit rating of other receivables based on historical settlement records, past experience, and also quantitative and qualitative information that is reasonable and supportive forward-looking information. In the opinion of the directors of the Company, the risk of default by these counterparties is significantly increased and the Group provided RMB112,972,000 (2022: RMB23,413,000) credit losses allowances during the year ended 31 December 2023.

37. FINANCIAL INSTRUMENTS *(Continued)*

(b) Financial risk management objectives and policies *(Continued)*

Liquidity risk

In the management of liquidity risk, the Group's management monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management monitors the utilisation of borrowings and ensures compliance with relative covenants.

The Group relies on borrowings as a significant source of liquidity.

Liquidity and interest risk tables

The following tables detail the Group's remaining contractual maturity for its financial liabilities based on the agreed repayment terms. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The undiscounted amount is derived from interest rate curve at the end of each reporting period.

	Weighted average effective interest rate	On demand or less than 3 month	3 months to 1 year	1-5 years	Over 5 years	Total undiscounted cash flows	Carrying amount
	%	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023							
Trade and other payables	–	434,572	–	–	–	434,572	434,572
Receipts on behalf of residents	–	180,185	–	–	–	180,185	180,185
Amounts due to related parties							
– interest-free	–	40,501	–	–	–	40,501	40,501
Lease liabilities	6.16	2,407	7,221	19,174	3,777	32,579	27,751
		657,665	7,221	19,174	3,777	687,837	683,009
As at 31 December 2022							
Trade and other payables	–	336,322	–	–	–	336,322	336,322
Receipts on behalf of residents	–	295,204	–	–	–	295,204	295,204
Amounts due to related parties							
– interest-free	–	146,255	–	–	–	146,255	146,255
Lease liabilities	7.97	905	2,715	6,929	4,925	15,474	11,445
		778,686	2,715	6,929	4,925	793,255	789,226

The amounts included above for variable interest rate instruments for non-derivative financial liabilities is subject to change if changes is variable interest rates differ to those estimates of interest rate determined at the end of the reporting period.

37. FINANCIAL INSTRUMENTS *(Continued)*

(c) Fair value

Fair values of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

The following table gives information about the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Fair value as at 31 December		**Fair value hierarchy as at 31 December**	
	2023 RMB'000	2022 RMB'000	**2023 RMB'000**	2022 RMB'000
Equity instruments designated at FVTOCI	**13,282**	25,139	**Level 3**	Level 3

As at 31 December 2023 and 2022, the fair value of equity instruments designated at FVTOCI is estimated by an independent valuer through application of generally accepted pricing models based on discounted cash flow analysis, which involved key estimates of expected future financial performance and discount rates.

38. ACQUISITIONS OF SUBSIDIARIES

For the year ended 31 December 2023

Name of subsidiary acquired	Consideration RMB'000	Acquisition date	Equity interest acquired	Principal activities
Changsha Mission Hills Property Services Limited (the "Changsha Mission Hills")	22,500	31-Dec-23	60%	Provision of property management services

As 12 December 2023, Shenzhen Colour Life Services Group Co., Limited, a subsidiary of the Company entered into an equity transfer agreement with an independent third party for the acquisition of 60% equity interest in Changsha Mission Hills, an associate of the Group before the completion of acquisition. After the completion of this acquisition, Changsha Mission Hills become a non wholly-owned subsidiary of the group, holding 80% of the equity interest in Changsha Mission Hills.

The principal activities of acquired subsidiaries are engaged in provision of property management services and value-added services and the objectives of acquisition are expansion of property management services and value-added services of the Group.

Total consideration transferred

	Changsha Mission Hills RMB'000
Cash	–
Deposits paid in prior years	22,500
	22,500

Acquisition-related costs were insignificant and have been excluded from the cost of acquisition and were recognised as an expense in the year incurred within the "administrative expenses" line item in the consolidated statement of profit or loss and other comprehensive income.

38. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2023 *(Continued)*

Assets and liabilities recognised at the dates of acquisition are as follows:

	Changsha Mission Hills RMB'000
Property, plant and equipment	77
Trade receivables	13,619
Other receivables and prepayments	18,226
Bank balances and cash	3,964
Contract liabilities	(3,037)
Trade payables	(5,794)
Other payables and accruals	(9,687)
Tax liabilities	(3,825)
	13,543

The trade receivables and other receivables acquired with a fair value of RMB31,845,000 as at the date of acquisitions during the year ended 31 December 2023, are approximate to gross contractual amount, with no significant contractual cash flows not expected to be collected.

The fair value of intangible assets acquired in business combination is estimated by an independent valuer through application of income approach. This approach estimates the future economic benefits and costs attributed to the property management contracts and the customer relationship of the acquirees. The economic benefits and related costs are in turn projected over the expected survival period, taking into consideration of the attrition rate, the growth rate and the discount rate.

38. ACQUISITIONS OF SUBSIDIARIES *(Continued)*

For the year ended 31 December 2023 *(Continued)*

Goodwill arising on acquisitions

	Changsha Mission Hills RMB'000
Consideration transferred	22,500
Add: Non-controlling interests	2,709
Add: Equity instruments designated at FVTOCI	7,460
Less: Fair value of net identifiable assets acquired	(13,543)
	19,126

The non-controlling interests arising from the acquisition of respective subsidiaries were measured by reference to the proportionate share of the acquirees' net identifiable assets/liabilities at the acquisition dates.

Goodwill was arisen on the acquisitions of subsidiaries during the year ended 31 December 2023, because the cost of the combination included a control premium. In addition, the consideration paid for the combination effectively included amounts in relation to the benefits of expected synergies, revenue growth, future market development and the assembled workforce of the business.

None of the Intangible assets in relation to the acquisition of subsidiary under property management services have been recognised by the Group.

None of the goodwill arising on the acquisitions are expected to be deductible for tax purposes.

Net cash outflows arising on acquisitions

	RMB'000
Cash consideration paid	**–**
Less: bank balances and cash acquired	**(3,964)**
	(3,964)

At 30 September 2023, Shenzhen Colour Life Property Management Co., Ltd., a subsidiary of the Group entered into an acquisition agreement with an independent third party for obtaining 65% equity interest in Beijing Haocheng ("Beijing Haocheng") through capital injection of RMB15,043,000. As at the date of capital injection, the fair value of net identifiable assets of Beijing Haocheng was RMB20,309,000. The goodwill amounting to approximately of RMB1,842,000 was arose on the aforesaid acquisitions.

39. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or the future cash flows will be, classified in the Group's consolidated statement of cash flows from financing activities.

	Borrowings	Lease liabilities	Amounts due to related parties (non-trade nature)	Dividend payables	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
		(note 32)	(note 44(b))		
At 1 January 2023	–	11,445	146,255	–	157,700
Financing cash flows	–	(8,880)	(105,754)	(16,042)	(130,676)
Finance costs incurred	–	1,889	–	–	1,889
Dividends declared	–	–	–	16,042	16,042
Inception of leases	–	23,297	-	–	23,297
At 31 December 2023	–	27,751	40,501	–	68,252
At 1 January 2022	184,834	18,348	69,262	–	272,444
Financing cash flows	(168,826)	(8,437)	76,993	(11,758)	(112,028)
Finance costs incurred	4,157	1,301	–	–	5,458
Foreign exchange translation	(165)	–	–	–	(165)
Disposal of subsidiaries	(20,000)	–	–	–	(20,000)
Dividends declared	–	–	–	11,758	11,758
Inception of leases	–	233	–	–	233
At 31 December 2022	–	11,445	146,255	–	157,700

40. MAJOR NON-CASH TRANSACTIONS

During the year ended 31 December 2023, the Group entered into certain new lease agreements for the use of office premises for 2 to 6 years. On the lease commencement, the Group recognised RMB23,297,000 (2022: RMB233,000) for right-of-use assets and RMB23,297,000 (2022: RMB233,000) for lease liabilities.

41. CAPITAL AND OTHER COMMITMENTS

	2023 **RMB'000**	2022 RMB'000
Consideration committed in respect of acquisition of subsidiaries contracted for but not provided in the consolidated financial statements	**22,883**	22,775
Capital expenditure in respect of the acquisition of property, plant and equipment contracted for but not provided in the consolidated financial statements	**27,282**	29,112

42. RETIREMENT BENEFITS SCHEME

The Group operates Mandatory Provident Fund Scheme for all qualifying employees in Hong Kong. The Group contributes certain percentage of relevant payroll costs to the Mandatory Provident Fund Scheme, which contribution is matched by employees.

The employees of the PRC entities are members of a state-managed retirement benefits scheme operated by the government of the PRC. The Group is required to contribute 10% to 24% of the total monthly basic salaries of its current employees to the retirement benefits scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefits schemes is to make the specified contributions.

For the year ended 31 December 2023, the total expense recognised to the consolidated statement of profit or loss and other comprehensive income of RMB58,203,000 (2022: RMB47,643,000), respectively, represented contributions to the scheme.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

(a) Material subsidiaries of the Company

Particulars of the principal subsidiaries of the Company at the respective reporting date are set out below:

Name of subsidiary	Place of incorporation/ registration/ operation	Issued and fully paid share/ registered capital	Effective interest held by the Group		Principal activities	Legal form
		RMB'000	2023	2022		
Directly held:						
Tong Yuan Holdings Limited	BVI	828,880	100%	100%	Investment holding	Limited liability company
Indirectly held:						
深圳市彩生活服務集團有限公司 Shenzhen Colour Life Services Group Co., Limited	PRC	1,050,000	100%	100%	Investment holding	Limited liability company
深圳市彩生活網絡服務有限公司 Shenzhen Colour Life Network Service Co., Ltd.	PRC	290,000	100%	100%	Provision of value-added services	Limited liability company
深圳市開元同濟樓宇科技有限公司 Shenzhen Kaiyuan Tongji Building Technology Co., Ltd.	PRC	5,000	100%	100%	Provision of engineering services	Limited liability company
深圳市彩生活物業管理有限公司 Shenzhen Colour Life Property Management Co., Ltd.	PRC	1,050,000	100%	100%	Provision of property management services	Limited liability company
重慶泓山物業管理有限公司 Chongqing Hongshan Property Management Co., Ltd.	PRC	7,500	97%	97%	Provision of property management services	Limited liability company
成都宏鵬物業管理有限公司 Chengdu Hongpeng Property Management Co., Ltd.	PRC	7,000	100%	100%	Provision of property management services	Limited liability company
深圳市安彩華能源投資有限公司 Shenzhen Ancaihua Energy Investment Co., Ltd.	PRC	1,000	100%	100%	Provision of engineering services	Limited liability company
上海同涞物業管理有限公司 Shanghai Tonglai Property Management Co., Ltd.	PRC	50,000	100%	100%	Provision of property management services	Limited liability company
杭州卓盛物業管理有限公司 Hangzhou Zhuosheng Property Management Co., Ltd.	PRC	5,000	80%	80%	Provision of property management services	Limited liability company
北京達爾文國際酒店物業管理有限公司 Beijing Darwin International Hotel Property Management Co., Ltd.	PRC	11,000	100%	100%	Provision of property management services	Limited liability company

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

None of the subsidiaries had issued debt securities at the end of the year.

43. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY *(Continued)*

(b) Composition of the Group

Information about the subsidiaries of the Company that are not material to the Group at the end of each reporting period is as follows:

Principal activities	Principal place of business	Number of subsidiaries	
		2023	2022
Investment holding	Cayman Islands	**2**	2
	BVI	**2**	3
	Hong Kong	**3**	4
	PRC	**6**	1
Provision of property management services	PRC	**121**	148
	Singapore	**1**	1
	Hong Kong	**1**	1
Provision of value-added services	PRC	**20**	26
Provision of engineering services	PRC	**–**	2
		156	188

(c) Details of non-wholly owned subsidiaries of the Group that have material non-controlling interests

As at 31 December 2023 and 2022, no non-wholly owned subsidiary of the Group that have material non-controlling interests.

44. RELATED PARTY DISCLOSURES

(a) Related parties transactions

Apart from the related party transactions disclosed elsewhere in these consolidated financial statements, the Group had following significant transactions with related parties:

	2023 RMB'000	2022 RMB'000
Pre-delivery services income		
Fellow subsidiaries	**2,752**	4,685
An associate of Fantasia Holdings	**235**	–
Energy-saving services income		
Other related parties	**50**	–
Equipment installation services income		
Fellow subsidiaries	**6,242**	1,044

44. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances

At the end of the reporting period, the Group has the following significant balances with related parties:

	2023 RMB'000	2022 RMB'000
Amounts due from fellow subsidiaries	**15,194**	9,173
Amounts due from non-controlling shareholders of the subsidiaries	**–**	2,077
Amounts due from associates	**50,966**	8,522
Amounts due from joint ventures	**88,910**	2,675
Amounts due from other related parties	**53,216**	35,999
	208,286	58,446

	2023 RMB'000	2022 RMB'000
Amounts due from fellow subsidiaries		
Non-trade nature	**6,885**	9,173
Trade nature	**8,309**	–
	15,194	9,173
Amounts due from non-controlling shareholders of the subsidiaries		
Non-trade nature	**–**	2,077
Amounts due from associates		
Non-trade nature	**50,774**	8,522
Trade nature	**192**	–
	50,966	8,522
Amounts due from joint ventures		
Non-trade nature	**88,910**	2,675
Amounts due from other related parties		
Non-trade nature	**53,205**	35,999
Trade nature	**11**	–
	53,216	35,999

44. RELATED PARTY DISCLOSURES *(Continued)*

(b) Related party balances *(Continued)*

	2023 RMB'000	2022 RMB'000
Amounts due to fellow subsidiaries	**16,226**	27,896
Amounts due to non-controlling shareholders of the subsidiaries	**–**	1,082
Amounts due to associates	**21,316**	25,341
Amounts due to joint ventures	**2,164**	78,335
Amounts due to other related parties	**795**	13,601
	40,501	146,255

	2023 RMB'000	2022 RMB'000
Amounts due to fellow subsidiaries		
Non-trade nature	**16,226**	27,896
Amounts due to non-controlling shareholders of the subsidiaries		
Non-trade nature	**–**	1,082
Amounts due to associates		
Non-trade nature	**21,316**	25,341
Amounts due to joint ventures		
Non-trade nature	**2,164**	78,335
Amounts due to related parties		
Non-trade nature	**795**	13,601

(c) Compensation of key management personnel

The remuneration of key management personnel during the years ended 31 December 2023 and 2022 were as follows:

	2023 RMB'000	2022 RMB'000
Short-term benefits	**7,226**	2,043
Post-employment benefits	**486**	145
	7,712	2,188

The remuneration of key management personnel is determined by reference to the performance of individuals and market trend.

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

Statement of Financial Position of the Company

	2023 RMB'000	2022 RMB'000
Non-Current Assets		
Investments in subsidiaries	**553,032**	553,032
Amounts due from subsidiaries	**1,879,879**	1,941,127
	2,432,911	2,494,159
Current Assets		
Other receivables and prepayments	**5,979**	2,848
Amount due from a related party	**1**	1
Bank balances and cash	**6,078**	2,417
	12,058	5,266
Current Liabilities		
Other payables	**3,594**	3,869
Amounts due to subsidiaries	**204,691**	256,631
	208,285	260,500
Net Current Liabilities	**(196,227)**	(255,234)
Total Assets Less Current Liabilities	**2,236,684**	2,238,925
Net Assets	**2,236,684**	2,238,925
Capital and Reserves		
Share capital	**120,750**	120,750
Reserves	**2,115,934**	2,118,175
Total equity	**2,236,684**	2,238,925

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2023

45. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

(Continued)

Movements in reserves

	Share premium RMB'000	Share-based payments reserve RMB'000	Shares held for share award scheme RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	1,738,865	243,034	(6,795)	109,921	2,085,025
Profit and total comprehensive income for the year	-	-	-	33,150	33,150
At 31 December 2022	1,738,865	243,034	(6,795)	143,071	2,118,175
Loss and total comprehensive expense for the year	-	-	-	(2,241)	(2,241)
At 31 December 2023	1,738,865	243,034	(6,795)	140,830	2,115,934

46. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current years' presentation.

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