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合景悠活
KWG LIVING

KWG Living Group Holdings Limited
合景悠活集團控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 3913)

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2024

SUMMARY OF ANNUAL RESULTS

- Revenue for the year ended 31 December 2024 amounted to approximately RMB3,573.5 million, representing a year-on-year decrease of approximately 7.2%.
- Gross profit for the year ended 31 December 2024 amounted to approximately RMB882.7 million, representing a year-on-year decrease of approximately 25.3%.
- Loss for the year ended 31 December 2024 amounted to approximately RMB558.7 million, which is a turnaround from profit for the year ended 31 December 2023.

ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2024

The board (the "**Board**") of directors (the "**Directors**") of KWG Living Group Holdings Limited (the "**Company**") announces its consolidated results of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2024, together with the comparative figures for the year ended 31 December 2023, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2024

	Notes	**2024** *RMB'000*	2023 *RMB'000*
REVENUE	*4*	**3,573,469**	3,848,973
Cost of sales		**(2,690,811)**	(2,666,609)
Gross profit		**882,658**	1,182,364
Other income and gains	*5*	**121,329**	46,483
Selling and distribution expenses		**(5,488)**	(4,314)
Administrative expenses		**(471,595)**	(507,409)
Other expenses, net		**(1,049,953)**	(548,181)
Finance costs		**(33,036)**	(35,464)
Share of profit and loss of:			
Joint ventures		**7,029**	4,712
Associates		**127**	1,784
(LOSS)/PROFIT BEFORE TAX	*6*	**(548,929)**	139,975
Income tax expense	*7*	**(9,730)**	(77,657)
(LOSS)/PROFIT FOR THE YEAR		**(558,659)**	62,318
Attributable to:			
Owners of the parent		**(572,282)**	30,303
Non-controlling interests		**13,623**	32,015
		(558,659)	62,318
(LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (expressed in RMB cents per share)	*8*	**(28.25)**	1.50
Diluted (expressed in RMB cents per share)	*8*	**(28.25)**	1.50

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2024

	2024	2023
	RMB'000	*RMB'000*
(LOSS)/PROFIT FOR THE YEAR	**(558,659)**	62,318
OTHER COMPREHENSIVE (LOSS)/INCOME		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(31,704)**	(20,617)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**45,424**	33,814
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**13,720**	13,197
TOTAL COMPREHENSIVE (LOSS)/INCOME FOR THE YEAR	**(544,939)**	75,515
Attributable to:		
Owners of the parent	**(558,562)**	43,500
Non-controlling interests	**13,623**	32,015
	(544,939)	75,515

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 December 2024

	Notes	2024 RMB'000	2023 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**60,099**	78,885
Investment properties		**3,936**	4,722
Goodwill		**713,896**	1,343,904
Other intangible assets		**383,358**	570,414
Investment in joint ventures		**11,420**	7,490
Investment in associates		**7,753**	7,626
Deferred tax assets		**313,883**	230,864
Other non-current assets		**3,498**	8,000
Total non-current assets		**1,497,843**	2,251,905
CURRENT ASSETS			
Trade receivables	9	**2,783,640**	2,441,232
Prepayments, other receivables and other assets		**694,949**	752,009
Restricted cash		**62,478**	6,323
Cash and cash equivalents		**1,145,614**	1,442,889
Total current assets		**4,686,681**	4,642,453
CURRENT LIABILITIES			
Trade payables	10	**609,032**	534,764
Other payables and accruals		**1,046,868**	1,186,252
Contract liabilities	4	**269,120**	258,809
Lease liabilities		**2,425**	3,622
Interest-bearing bank and other borrowings		**126,293**	148,020
Tax payable		**494,785**	421,097
Total current liabilities		**2,548,523**	2,552,564
NET CURRENT ASSETS		**2,138,158**	2,089,889
TOTAL ASSETS LESS CURRENT LIABILITIES		**3,636,001**	4,341,794

	2024	2023
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**3,495**	3,139
Interest-bearing bank and other borrowings	**397,832**	488,989
Deferred tax liabilities	**92,563**	140,263
Total non-current liabilities	**493,890**	632,391
Net assets	**3,142,111**	3,709,403
EQUITY		
Share capital	**17,568**	17,568
Reserves	**2,820,848**	3,377,893
Equity attributable to owners of the parent	**2,838,416**	3,395,461
Non-controlling interests	**303,695**	313,942
Total equity	**3,142,111**	3,709,403

NOTES TO FINANCIAL STATEMENTS

31 December 2024

1. CORPORATE AND GROUP INFORMATION

General information

The Company is a limited liability company incorporated in the Cayman Islands on 11 September 2019. The registered office of the Company is located at Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, Cayman Islands.

The Company is an investment holding company. During the year ended 31 December 2024, the Group was involved in the provision of residential property management services and non-residential property management and commercial operational services in the People's Republic of China (the "**PRC**").

In the opinion of the directors, the immediate and ultimate holding company of the Company was Plus Earn Consultants Limited, which was incorporated in the British Virgin Island ("**BVI**").

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with HKFRS Accounting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for investment properties. These financial statements are presented in Renminbi ("**RMB**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Group for the year ended 31 December 2024. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

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

(b) rights arising from other contractual arrangements; and

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

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

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

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, any non-controlling interest and the exchange reserve; and recognises the fair value of any investment retained and any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 16	*Lease Liability in a Sale and Leaseback*
Amendments to HKAS 1	*Classification of Liabilities as Current or Non-current* (the "**2020 Amendments**")
Amendments to HKAS 1	*Non-current Liabilities with Covenants* (the "**2022 Amendments**")
Amendments to HKAS 7 and HKFRS 7	*Supplier Finance Arrangements*

The nature and the impact of the revised HKFRSs are described below:

(a) Amendments to HKFRS 16 specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains. Since the Group has no sale and leaseback transactions with variable lease payments that do not depend on an index or a rate occurring from the date of initial application of HKFRS 16, the amendments did not have any impact on the financial position or performance of the Group.

(b) The 2020 Amendments clarify the requirements for classifying liabilities as current or non-current, including what is meant by a right to defer settlement and that a right to defer must exist at the end of the reporting period. Classification of a liability is unaffected by the likelihood that the entity will exercise its right to defer settlement. The amendments also clarify that a liability can be settled in its own equity instruments, and that only if a conversion option in a convertible liability is itself accounted for as an equity instrument would the terms of a liability not impact its classification. The 2022 Amendments further clarify that, among covenants of a liability arising from a loan arrangement, only those with which an entity must comply on or before the reporting date affect the classification of that liability as current or non-current. Additional disclosures are required for non-current liabilities that are subject to the entity complying with future covenants within 12 months after the reporting period.

The Group has reassessed the terms and conditions of its liabilities as at 1 January 2023 and 2024 and concluded that the classification of its liabilities as current or non-current remained unchanged upon initial application of the amendments. Accordingly, the amendments did not have any impact on the financial position or performance of the Group.

(c) Amendments to HKAS 7 and HKFRS 7 clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk. As the Group does not have supplier finance arrangements, the amendments did not have any impact on the Group's financial statements.

Except as described below, the adoption of the above revised standards has had no significant financial effect on these consolidated financial statement.

3. OPERATING SEGMENT INFORMATION

For management purposes, the Group is organised into two reportable operating segments as follows:

(a) Residential property management services; and

(b) Non-residential property management and commercial operational services.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, finance costs, as well as head office and corporate income and expenses are excluded from such measurement.

The revenue from external customers reported to management is measured as segment revenue, which is the revenue derived from the customers in each segment.

No analysis of segment assets and segment liabilities is presented as this information is not regularly provided to management for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

Year ended 31 December 2024

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Segment revenue	**1,769,176**	**1,804,293**	**3,573,469**
Segment result	**326,828**	**215,169**	**541,997**
Reconciliation:			
Interest income and unallocated income			**121,329**
Unallocated expenses			**(1,179,219)**
Finance costs			**(33,036)**
Loss before tax			**(548,929)**
Income tax expense			**(9,730)**
Loss for the year			**(558,659)**

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Other segment information			
Share of profit and loss of:			
Joint ventures	**7,029**	**—**	**7,029**
Associates	**547**	**(420)**	**127**
Depreciation of property, plant and equipment			**28,382**
Amortisation of other intangible assets			**117,782**
Impairment losses on property, plant and equipment			**819**
Impairment losses on goodwill			**630,008**
Impairment losses on other intangible assets			**82,892**
Impairment losses on trade receivables, net			**279,787**
Impairment losses on prepayments, other receivables and other assets, net			**43,187**
Capital expenditure*	**20,552**	**6,867**	**27,419**
Unallocated amounts of capital expenditure			**2,196**
			29,615

Year ended 31 December 2023

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Segment revenue	1,744,067	2,104,906	3,848,973
Segment result	395,590	419,607	815,197
Reconciliation:			
Interest income and unallocated income			46,483
Unallocated expenses			(686,241)
Finance costs			(35,464)
Profit before tax			139,975
Income tax expense			(77,657)
Profit for the year			62,318

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Other segment information			
Share of profit and loss of:			
Joint ventures	4,391	321	4,712
Associates	(119)	1,903	1,784
Depreciation of property, plant and equipment			34,830
Amortisation of other intangible assets			131,252
Impairment losses on goodwill			255,840
Impairment losses on trade receivables, net			205,947
Impairment losses on prepayments, other receivables and other assets, net			67,007
Capital expenditure*	9,161	6,689	15,850
Unallocated amounts of capital expenditure			6,554
			22,404

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets.

Geographical information

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

Information about major customers

For the years ended 31 December 2024 and 2023, approximately RMB408.3 million and RMB658.0 million of revenue were derived from KWG Group Holdings Limited and its subsidiaries (collectively the "**KWG Group**") and its joint ventures, associates and other related parties, respectively.

4. REVENUE AND CONTRACT LIABILITIES

Revenue from contracts with customers

Revenue comprised proceeds from residential property management services and non-residential property management and commercial operational services during the reporting period. An analysis of revenue is as follows:

(a) Disaggregated revenue information

	2024	2023
	RMB'000	*RMB'000*
Types of services by segment		
Residential property management services		
Pre-sale management services	**82,549**	180,978
Property management services	**1,464,528**	1,340,910
Community value-added services	**222,099**	222,179
	1,769,176	1,744,067
Non-residential property management and commercial operational services		
Pre-sale management services	**22,127**	24,159
Property management services	**1,621,214**	1,830,721
Commercial operational services	**55,876**	121,059
Other value-added services	**105,076**	128,967
	1,804,293	2,104,906
Total revenue from contracts with customers	**3,573,469**	3,848,973
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**3,429,458**	3,649,726
Revenue from contracts with customers recognised at a point in time	**144,011**	199,247
Total	**3,573,469**	3,848,973

(b) Performance obligations

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

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

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2024	2023
	RMB'000	*RMB'000*
Third parties	**268,227**	258,150
Related parties	**893**	659
	269,120	258,809

Contract liabilities of the Group mainly arise from the advance payments received from customers for services yet to be provided. The increase in contract liabilities as at 31 December 2024 was mainly due to the increase in short term advances received from customers in relation to the provision of property management services at the end of the year.

The following table shows the amount of revenue recognised in the current reporting period that was included in the contract liabilities at the beginning of the reporting period:

	2024	2023
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	**197,417**	173,623
Non-residential property management and commercial operational services	**26,529**	24,642
	223,946	198,265

5. OTHER INCOME AND GAINS

	2024	2023
	RMB'000	*RMB'000*
Interest income	**2,438**	2,807
Government grants	**7,439**	20,141
Gain on disposal of property, plant and equipment, net	**2,056**	1,224
Late penalty income	**6,500**	2,459
Tax incentives on value-added tax	**3,083**	14,252
Realised income from wealth management financial products	**140**	1,360
Provision for compensation on profit guarantee	**96,479**	—
Others	**3,194**	4,240
	121,329	46,483

6. (LOSS)/PROFIT BEFORE TAX

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

	2024	2023
	RMB'000	*RMB'000*
Cost of services provided	**2,690,811**	2,666,609
Depreciation of property, plant and equipment	**28,382**	34,830
Amortisation of other intangible assets	**117,782**	131,252
Auditor's remuneration	**3,600**	3,720
Losses on disposal of investment in a joint venture	**1,188**	—
Fair value losses on investment properties	**786**	1,578
Employee benefit expense		
(excluding directors' and chief executive's remuneration)		
Wages and salaries	**1,043,454**	1,098,996
Share-based compensation expense	**1,468**	1,415
Pension scheme contributions	**102,950**	103,691
Other employee benefits	**114,760**	122,671
	1,262,632	1,326,773
Impairment losses on property, plant and equipment	**819**	—
Impairment losses on goodwill	**630,008**	255,840
Impairment losses on other intangible assets	**82,892**	—
Net impairment losses recognised on financial assets		
— Trade receivables *(Note 9)*	**279,787**	205,947
— Prepayments, other receivables and other assets	**43,187**	67,007
	322,974	272,954
Rental expense:		
Short-term leases and low-value leases	**25,367**	8,092

7. INCOME TAX

The Group is subject to income tax on an entity basis on profits arising in or derived from the tax jurisdictions in which members of the Group are domiciled and operate. Pursuant to the rules and regulations of the Cayman Islands and BVI, the entities within the Group incorporated in the Cayman Islands and BVI are not subject to any income tax. The Group's subsidiaries incorporated in Hong Kong are not liable for income tax as they did not generate any assessable profits arising in Hong Kong during the year ended 31 December 2024.

The income tax provision of the Group's subsidiaries established in the PRC in respect of its operation in Chinese Mainland was calculated at the tax rate of 25% on their assessable profits for the year, if applicable, based on the existing legislation, interpretations and practice in respect thereof. Certain subsidiaries of the Group operating in the PRC enjoyed a preferential corporate income tax rate of 15% for the year ended 31 December 2024.

	2024	2023
	RMB'000	*RMB'000*
Current	**140,449**	199,353
Deferred	**(130,719)**	(121,696)
	9,730	77,657

8. (LOSSES)/EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT

The calculation of the basic and diluted (losses)/earnings per share amounts is based on the (loss)/profit for the year attributable to ordinary equity holders of the parent, and the weighted average number of ordinary shares of 2,025,858,916 (2023: 2,025,858,916) and 2,025,971,749 (2023: 2,026,330,445), respectively in issue during the year ended 31 December 2024.

The calculations of basic and diluted (losses)/earnings per share are based on:

	2024	2023
(Losses)/earnings		
(Loss)/profit attributable to ordinary equity holders of the parent *(RMB'000)*	**(572,282)**	30,303
Shares		
Weighted average number of ordinary shares in issue during the year in the basic (losses)/earnings per share calculation	**2,025,858,916**	2,025,858,916
Weighted average number of ordinary shares in issue during the year in the diluted (losses)/earnings per share calculation	**2,025,971,749**	2,026,330,445
(Losses)/earnings per share		
Basic *(RMB cents per share)*	**(28.25)**	1.50
Diluted *(RMB cents per share)*	**(28.25)**	1.50

9. TRADE RECEIVABLES

	2024	2023
	RMB'000	*RMB'000*
Related parties	**2,231,188**	1,832,426
Third parties	**1,574,347**	1,353,754
Trade receivables	**3,805,535**	3,186,180
Less: Allowance for impairment of trade receivables	**(1,021,895)**	(744,948)
	2,783,640	2,441,232

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**1,166,275**	1,364,665
1 to 2 years	**734,231**	909,555
2 to 3 years	**812,115**	117,031
Over 3 years	**71,019**	49,981
	2,783,640	2,441,232

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

	2024	2023
	RMB'000	*RMB'000*
At beginning of year	**744,948**	590,461
Impairment losses recognised, net *(note 6)*	**279,787**	205,947
Amount written off as uncollectible	**(2,840)**	(51,460)
At end of year	**1,021,895**	744,948

10. TRADE PAYABLES

	2024	2023
	RMB'000	*RMB'000*
Related parties	**3,695**	201
Third parties	**605,337**	534,563
	609,032	534,764

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

	2024	2023
	RMB'000	*RMB'000*
Within 1 year	**492,248**	459,382
1 to 2 years	**88,853**	50,069
2 to 3 years	**18,057**	16,399
Over 3 years	**9,874**	8,914
	609,032	534,764

11. DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2024 (2023: Nil).

CHAIRMAN'S STATEMENT

Dear Shareholders,

Thanks for your continued support for the Group's development, I am pleased to present the business review and outlook of the Group for the year ended 31 December 2024.

In 2024, the development of the property service industry in China encountered multiple variables. Macroeconomic growth slowed down, and it would take time to restore residents' confidence in consumption. Coupled with the demographic changes and the bottlenecks in the operational efficiency of stock assets, the industry was generally posed with a dual pressure of the "rigid price constraints on basic services" and the "continued rise in the costs of labor and energy". On the consumption side, residents' willingness to pay for value-added services was still subject to their disposable income. On the competition side, industry concentration accelerated its pace, and price competition was intensified by some companies competing for market share, which further diluted profitability. As such, property service companies need to strike a finer balance among operational efficiency, quality assurance and financial soundness. Industry differentiation may continue to increase accordingly.

Currently, "high-quality development" has become the comprehensive requirements and goal orientation of the property service industry. High-quality development also implies that the development of the property service industry has shifted the paradigm from "whether it has" to "whether it is good" in view of services. In order to meet the goal of "high-quality development", the Group appropriately adjusted its development strategy, shifting from scale-first approach to effectiveness-first approach by proactively closing down projects with low returns and difficult management. At the same time, the Group placed greater emphasis on organic growth by streamlining its organisational structure, enhancing regional service density and implementing management standards to cope with the challenge of the downward trend of volatile gross profit margin. During the year ended 31 December 2024, the Group achieved a revenue of approximately RMB3,573.5 million, of which the proportion of revenue from third parties increased from 82.9% in 2023 to 88.6% in 2024. During the year ended 31 December 2024, the Group achieved gross profit of approximately RMB882.7 million and gross profit margin of approximately 24.7%.

From the demand side, as the demand for property services is inelastic, the market stock data is considerable. From the perspective of market development trend, only professional and high-quality property services can help enterprises outperform the market peers amid competition. In 2024, the Group continued to focus on the development of its advantageous regions and businesses, and expand its business presence centering on higher-tier cities. It swapped projects from risky ones in an orderly manner, while enhancing the operation quality of its existing projects, so as to further optimize its organizational structure, and reduce costs and enhance efficiency. Besides, the Group actively fulfilled its social corporate responsibility to safeguard the high quality of life of home owners.

1. Focusing on business presence with high potential and deeply engaging in underlying advantageous projects

According to the "Research Report on China's Property Service Price Index 2024" issued by the China Index Academy, the property service industry remained its steady momentum of development amidst a complex and volatile market condition in 2024. In particular, property service prices in twenty key cities across the country demonstrated notable stability. This fully reflects the fact that customer groups in key cities or regions have a higher degree of recognition and acceptability on property services than in other regions. From a deeper perspective, the level of economic development in key cities, the spending power of residents and their pursuit of a high quality of life have all contributed to the maturity and stability of the property service market in these regions. This market pattern is highly in line with the Group's long-pursuing market development strategy of focusing on core regions and core cities.

The Group has always been keenly perceiving market trends and precisely seizing opportunities in the industry, and is firmly committed to providing high-quality and professional property services to its customers by focusing on business development in core regions. As at 31 December 2024, the Group had presence in 133 cities across 21 provinces, autonomous regions and municipalities directly under the central government of the People's Republic of China (the "**PRC**"). In terms of regional distribution of the number of projects under the Group's management, as at 31 December 2024, approximately 56.6% of the projects under the Group's management were located in the Greater Bay Area and the Yangtze River Delta region. In terms of the revenue side, revenue from the Greater Bay Area and the Yangtze River Delta Area accounted for approximately 65.2% of the total revenue of the Group for the year ended 31 December 2024.

2. **Policy-driven recovery of consumption benefiting the performance of commercial operations**

Consumption and investment accelerated their pace in 2024. With the launch of a series of policies actively encouraged by various government departments in different regions to expand domestic demand and promote consumption, the demand for service consumption has continued to be unleashed under the impetus of promotion of new hotspots. According to the National Bureau of Statistics of China, the retail sales of consumer goods in Chinese urban areas, including cities and towns, amounted to approximately RMB42,116.6 billion in 2024, representing a year-on-year increase of approximately 3.4%. In particular, driven by the consumer goods trade-in policy, the retail sales of commercial goods including household electrical appliances and audio-visual equipment, furniture, automobiles, and construction and decoration materials by units above the quota in the fourth quarter of 2024 collectively drove the growth of total retail sales of consumer goods by approximately 1 percentage point.

Driven by precise and effective policies, market demand has been boosted and consumption potential stimulated, enabling enterprises to expand their business footprint and make steady progress in the complex and volatile market conditions. Meanwhile, the leasing and sales market of commercial properties were benefited with a recovery. For the year ended 31 December 2024, the overall customer traffic of shopping centers under management of the Group rose by approximately 1.7% year-on-year. In order to capitalize on the opportunities arising from the recovery, and to actively respond to and fully satisfy the needs of tenants and mass consumers, the Group has designated brand building and reputation building as a key strategic focus. Taking The Summit Ufun World, Guangzhou as an example, the Group's commercial operations team, with its pioneering and innovative vision, has continued to push forward with a series of well-designed consumption scenarios and thematic events with distinctive themes, rich contents and attractive features, bringing consumers a refreshing and unique consumption experience. In October 2024, by integrating both online and offline marketing channels, the Group's commercial operations team launched the sixth anniversary event of The Summit Ufun World, Guangzhou with themes such as fire pot, an intangible cultural heritage, cuisine, dancing and drama performance. Targeting parent-child families as the major customer group and customers in a coverage area within 3 kilometres in the vicinity, a year-on-year increase of 46.0% in sales and a year-on-year increase of 62.0% in average daily customer traffic are recorded during the event, which hit a new high since its opening.

3. Laying solid foundation for service quality and resilient growth

Upholding a heightened sense of responsibility and mission as always, the Group places quality operations at the forefront of its strategic development and adheres to practicing the concept of service excellence. During 2024, the Group made continuous efforts and precise measures in four key areas, namely staff quality, service standards, customer satisfaction and operational efficiency, in an endeavor to create a comfortable, safe and aesthetically pleasing living and working environment for owners.

In respect of staff quality enhancement, based on the competency model and focusing on key business scenarios, the Group helped frontline staff to continuously enhance their professionalism and service capabilities by organising lecture classes of professional instructors, housekeeping training, project manager training and other diversified methods. In the process of standardization of service norms, the Group put efforts in consolidating the development of systems to lay a solid foundation for service standardization. During 2024, comprehensive and detailed revisions and improvements were made to the systems of comprehensive quality inspection, report management and incidental maintenance in relation to the key aspects of quality operation, providing clearer and more definite standard guidelines for employees and promoting the development of service processes towards standardization and refinement. In terms of the enhancement of customer service satisfaction, the Group continued to optimize the mechanism of customer service satisfaction survey. During 2024, the Group's large operation center conducted four customer surveys covering 17,000 samples from 123 projects under management and recorded a comprehensive satisfaction rate of approximately 96.8%. In respect of the improvement of operational efficiency, the Group actively applied digital means to strengthen the closed-loop control of the work order system, procurement system, car park management system and intelligent payment system. It formulated a quality monitoring and inspection mechanism of "artificial intelligence (AI)-driven discovery + integrated product control by assessment with photo capture three times a day + semi-annual video inspection", which effectively enhanced operational efficiency and management level.

4. Practicing sustainable development to empower the urban future

Environmental, Social and Governance ("**ESG**"), as a key guideline for enterprises to achieve high-quality development, is increasingly becoming a core driver for the development of the industry. Pursuing a heightened sense of responsibility and mission as always, the Group integrated ESG strategies into every aspect of its corporate development, making steadfast strides in its direction of green, harmonious and sustainable development.

In terms of energy saving and emission reduction, the Group controlled nitrogen oxides and sulphur oxides emissions in the past year by controlling the frequency of vehicle use to mitigate vehicle emissions, and reducing the use of gas in project canteens, among other measures. In addition, through optimizing hazardous waste management measures and implementing cost reduction and energy saving control, the generation of hazardous waste such as batteries, fluorescent lamps and light bulbs decreased year-on-year.

In terms of social responsibility, the Group regards employees as its most valuable asset and protects their rights and interests in all aspects. Accordingly, the Group provides employees with ample learning and growth opportunities through a diversified training system. In 2024, the cumulative number of viewers of our professional live lecture, "KWG Living Class", exceeded 60,000, with a course satisfaction rate of approximately 96.5%. All-round career promotion channels and competitive remuneration and benefit package system have greatly stimulated the motivation and creativity of employees. Employee engagement research showed that the Group's employee engagement score for 2024 was approximately 87.6%, representing an increase of approximately 5 percentage points from last year.

At the corporate governance level, the Group has always deeply integrated ESG concepts into strategic decision-making and daily operations. The audit committee of the Company (the "**Audit Committee**") is authorised by the Board to assist in ESG governance. Its duties include reviewing the ESG policies and practices, assessing environmental and social risks, overseeing the implementation of sustainable development goals, and making strategic recommendations to the Board. Meanwhile, the Group has continued to enhance ESG transparency and systematically disclose the progress of key initiatives such as carbon reduction paths and community building through channels such as annual ESG reports and investor engagement meetings, so as to proactively respond to stakeholders' expectations.

5. Future Outlook

Looking into 2025, the property management industry is heading towards a new era of "value reconstruction". On the policy side, the standardization of basic services and the differentiation of value-added services will accelerate the segmentation of the industry. On the demand side, the deepening of the operation of stock assets, smart city governance and the aging society will create enormous market opportunities, while posing unprecedented challenges to enterprises.

Though it is hard to pan ten thousand times, gold will finally be found after blowing away the wild sands of tons. Thanks to the ongoing support and trust of all shareholders and ecological partners, we firmly believe that only by rooting in service itself and overcoming the cyclical fluctuations will we be able to repay the trust. The Group will forge resilience in lean operation and seize opportunities in an open ecosystem, and partner with our shareholders, customers and employees to embrace a cosy and more efficient and sustainable future.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2024, the property management industry in the PRC was confronted with the challenges of, among others, sluggish market growth, rising costs and higher demand for service upgrades. As industry consolidation intensified and policy regulation became more stringent, property management enterprises had to enhance operational efficiency, promote the application of intelligent properties, optimise cost control and expand value-added services to strengthen their core competitiveness. Over the past year, the Group promoted service upgrade and structural transformation through refined management, in a bid to enhance home owners' satisfaction, ensure high-quality development and reinforce its market position during the industry adjustment period.

Steady Growth of the Residential Property Segment

For the year ended 31 December 2024, the Group's residential property segment reported revenue of approximately RMB1,769.2 million, representing a year-on-year growth of approximately 1.4%. The revenue from pre-sale management services and value-added services fell as a result of the pressure encountered by the real estate industry in the PRC which led to a decrease in the number of residential property sales offices under the Group's management. Nonetheless, residential property management services grew steadily by 9.2% year-on-year, mainly driven by the steady expansion of the scale of projects under management of the Group during the year ended 31 December 2024 and the ongoing improvement in service quality which accordingly further promoted the Group's brand reputation and increased the market demand for the Group's services. During the year ended 31 December 2024, the Group acquired new projects under management through market-oriented expansion, and strengthened the management of its existing projects to optimise operational efficiency and enhance home owners' satisfaction, thereby driving a robust growth in management fee income.

Strategic Contraction of the Non-residential Property Segment

In the past year, the domestic economy continued to be under pressure with particularly distinct challenges in the urban services sector. Specifically, these challenges included the mounting pressure on profitability due to price competition in the market and the increasing difficulties in fee collection posed by the slower pace of financial payment, which affected the stability of cash flow. In view of the pressure on profitability and changes in the market environment encountered by the urban services business, the Group decided to carry out strategic contraction by adopting a more prudent approach to commencing business in regions facing fiscal pressure and selecting sub-sector businesses in the non-residential property segment on a more stringent basis. By optimising asset allocation and adjusting business structure, the Group will place greater emphasis on the management of cost-effective projects, striving to raise the overall profitability and return on capital. This will further strengthen the Group's core competitiveness and lay a stronger foundation for sustainable development in the future. For the year ended 31 December 2024, the Group's non-residential property segment recorded revenue of approximately RMB1,804.3 million, down 14.3% year-on-year, which was mainly due to the strategic contraction of the urban services business.

Further Improvement in Independence

During the year ended 31 December 2024, the Group continued to actively pursue the expansion of third-party projects to further enhance the market-oriented capabilities and operational independence of its businesses. For the year ended 31 December 2024, among the total revenue of the Group, revenue from independent third parties accounted for approximately 88.6%, representing an increase of approximately 5.7 percentage points as compared to 2023. In recent years, the Group gradually reduced its reliance on the business of a single related-party customer and focused on expanding its business development in independent markets. As such, revenue from independent third parties accounted for approximately 63.1%, 78.6%, 82.9% and 88.6% in 2021, 2022, 2023 and 2024, respectively, demonstrating a momentum of year-on-year growth. Through a diversified customer structure and extensive market layout, we maintained market-oriented operation and independence in project acquisition and service delivery, and reduced our reliance on the businesses of related parties. The Group has been committed to enhancing its brand influence and market competitiveness, continuously expanding external customer resources and propelling business growth, with a view to achieving stable and independent operation as well as sustainable development in the long run.

Reducing Cost and Increasing Efficiency to Optimise Operation

The Group continued to implement measures to reduce costs and increase efficiency, and effectively lowered its administrative expenses rate by adopting measures such as optimizing its organisational structure, enhancing management efficiency and promoting digital application. During the year ended 31 December 2024, the administrative expenses of the Group declined by 7.1% year-on-year. The Group optimised its organisational structure to strengthen cost control, and utilized intelligent systems to optimise internal processes and reduce discretionary spending. In addition, centralised procurement and resource coordination were strengthened to boost operational synergies, thereby realising refined management and improving operational capabilities on an ongoing basis.

Business Model

The Group generates revenue primarily from two principal business segments: (i) residential property management services; and (ii) non-residential property management and commercial operational services.

Residential Property Management Services

The Group provides various residential property management services to meet the needs of households and residents in the community under different daily-living scenarios, including:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers during their pre-sale activities. The Group charges a fixed service fee for such services;

- property management services such as cleaning, security, gardening and repair and maintenance services to (i) property developers for the undelivered portion of the properties; and (ii) property owners, property owners' associations or residents for properties sold and delivered. The Group collects property management fees for such services; and

- community value-added services such as (i) home-living services — the provision of a wide range of services catered to the personalised needs of owners through the integration of industrial and ecological resources; (ii) property agency services — property agency services provided to property owners, residents and property developers; and (iii) common area value-added services — aiming to provide daily-living convenience to property owners and residents and enhance the owners' sense of pleasant accommodation by utilising the community space. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Non-residential Property Management and Commercial Operational Services

The Group manages and operates a diversified portfolio of non-residential properties, provides property management and commercial operational services to commercial properties such as shopping malls, office buildings and industrial parks, and provides property management services to schools, hospitals, government authorities and other public properties. The Group's services include:

- pre-sale management services such as cleaning, security and maintenance services for pre-sale display units and sales offices to property developers. The Group charges a fixed service fee for such services;

- property management services such as file management, cleaning, security, gardening and repair and maintenance services to property owners or tenants. The Group charges property management fees for such services;

  — property management services for commercial properties: the Group charges property management fees for property management services provided to commercial properties (including shopping malls and office buildings);

  — public property services and urban services: the Group charges corresponding management fees for property management services provided to public properties (including schools, hospitals, government authorities, industrial parks and transportation hubs) and for urban cleaning services provided to urban spaces (including urban roads and rivers);

- commercial operational services such as preliminary planning and consultancy services, tenancy sourcing services, tenancy management services and marketing and promotion services to property owners and property developers. The Group typically charges (i) a commission-based fee with respect to the operation of shopping malls; (ii) a profit mark-up on top of the costs with respect to the operation of office buildings; and (iii) a fixed service fee on a per square metre basis for its preliminary planning and consultancy services and tenancy sourcing services; and

- other value-added services such as primarily common area value-added services. The Group typically charges a commission-based fee or a fixed fee depending on the nature of services rendered.

Breakdown of the Total Revenue by Business Segments and Regions

The table below sets forth the breakdown of the Group's total revenue by business segments for the periods indicated:

	Year ended 31 December			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services				
Pre-sale management services	**82,549**	**2.3**	180,978	4.7
Property management services	**1,464,528**	**41.0**	1,340,910	34.8
Community value-added services	**222,099**	**6.2**	222,179	5.8
Sub-total	**1,769,176**	**49.5**	1,744,067	45.3
Non-residential property management and commercial operational services				
Pre-sale management services	**22,127**	**0.6**	24,159	0.6
Property management services				
— Commercial properties	**361,583**	**10.1**	465,062	12.1
— Public property and urban area	**1,259,631**	**35.3**	1,365,659	35.5
Commercial operational services	**55,876**	**1.6**	121,059	3.1
Other value-added services	**105,076**	**2.9**	128,967	3.4
Sub-total	**1,804,293**	**50.5**	2,104,906	54.7
Total	**3,573,469**	**100.0**	3,848,973	100.0

Residential Property Management Services

For the year ended 31 December 2024, the Group's revenue from the residential property management services segment increased by 1.4% year-on-year to approximately RMB1,769.2 million from approximately RMB1,744.1 million for the same period in 2023. The revenue growth was primarily driven by the steady expansion of the scale of projects under management and ongoing improvement in service quality which accordingly further promoted the Group's brand reputation and increased the market demand for the Group's services. In particular, the revenue from property management services of the residential property segment in 2024 was approximately RMB1,464.5 million, representing a year-on-year increase of approximately 9.2%. Nonetheless, the revenue from pre-sale management services and other value-added services recorded a year-on-year decrease during the year ended 31 December 2024, which was mainly due to the decrease in the number of residential property sales offices under the Group's management and the decrease in revenue from community value-added services in the residential segment as a result of the pressure on the real estate market.

The Group continued to focus on core cities as well as potential markets, and continued to push forward its strategy of in-depth development in key regions. With precise site selection and project screening, we have made significant progress in a number of strategic regions, optimised resource allocation and improved the concentration of project management and service quality. For the year ended 31 December 2024, approximately 59% of the Group's residential property management services segment revenue were derived from the Greater Bay Area and the Yangtze River Delta region, representing a year-on-year increase of 1.7 percentage points.

The table below sets forth a breakdown of the Group's total revenue generated from residential property management services for the periods indicated by regions:

	Year ended 31 December			
	2024		2023	
	Revenue *(RMB'000)*	***%***	Revenue *(RMB'000)*	*%*
Greater Bay Area	**699,190**	**39.5**	661,611	37.9
Yangtze River Delta[1]	**345,004**	**19.5**	337,820	19.4
Midwest China and Hainan[2]	**638,455**	**36.1**	655,816	37.6
Bohai Economic Rim[3]	**86,527**	**4.9**	88,820	5.1
Total	**1,769,176**	**100.0**	1,744,067	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Yunnan Province, Hubei Province, Hunan Province, Jiangxi Province, Guangxi Zhuang Autonomous Region, Guizhou Province, Henan Province, Fujian Province, Hainan Province, Xinjiang Uygur Autonomous Region and Chongqing Municipality.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

Non-residential Property Management and Commercial Operational Services

For the year ended 31 December 2024, the Group's revenue from non-residential property management and commercial operational services segment decreased by approximately 14.3% year-on-year to approximately RMB1,804.3 million from approximately RMB2,104.9 million for the same period in 2023. The decrease was mainly due to the Group's decision to carry out strategic contraction by adopting a more prudent approach to commencing business in regions facing fiscal pressure and selecting sub-sector businesses in the non-residential property segment on a more stringent basis in view of the pressure on profitability and changes in the market environment encountered by the urban services business.

For the year ended 31 December 2024, the scales of revenue in various regions shrank to varying extent. The decrease was largely due to the strategic contraction of the urban services business and the adjustment of commercial terms from a lump sum basis to a commission basis for some of the commercial property projects managed by the Group.

The table below sets forth a breakdown of the Group's total revenue generated from non-residential property management and commercial operational services as of the periods indicated by regions:

	Year ended 31 December			
	2024		2023	
	Revenue **(*RMB'000*)**	**%**	Revenue (*RMB'000*)	%
Greater Bay Area	**745,984**	**41.3**	932,786	44.3
Yangtze River Delta[(1)]	**539,817**	**29.9**	619,988	29.5
Midwest China and Hainan[(2)]	**251,613**	**14.0**	285,085	13.5
Bohai Economic Rim[(3)]	**266,879**	**14.8**	267,047	12.7
Total	**1,804,293**	**100.0**	2,104,906	100.0

Notes:

(1) Include Shanghai Municipality, Zhejiang Province, Anhui Province and Jiangsu Province.

(2) Include Sichuan Province, Chongqing Municipality, Hubei Province, Hunan Province, Henan Province, Shaanxi Province, Jiangxi Province, Yunnan Province, Guizhou Province, Guangxi Zhuang Autonomous Region and Hainan Province.

(3) Include Beijing Municipality, Tianjin Municipality and Shandong Province.

FINANCIAL REVIEW

Revenue

The Group derived its revenue from two business segments, namely the residential property management service segment and non-residential property management and commercial operational service segment.

The table below sets forth the breakdown of revenue of the Group by business segments for the periods indicated:

	Year ended 31 December			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services	**1,769,176**	**49.5**	1,744,067	45.3
Non-residential property management and commercial operational services	**1,804,293**	**50.5**	2,104,906	54.7
Total	**3,573,469**	**100.0**	3,848,973	100.0

Residential Property Management Services

The following table sets forth a breakdown of the Group's revenue from residential property management services by service line for the periods indicated:

	Year ended 31 December			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**82,549**	**4.7**	180,978	10.4
Property management services	**1,464,528**	**82.8**	1,340,910	76.9
Community value-added services	**222,099**	**12.5**	222,179	12.7
Total	**1,769,176**	**100.0**	1,744,067	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's residential property management service segment decreased from approximately RMB181.0 million in 2023 to approximately RMB82.5 million in 2024. This decrease was primarily due to the decrease in the number of sales offices of residential properties under the Group's management, as a result of the continuous downturn of the real estate market in the PRC.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB1,340.9 million in 2023 to approximately RMB1,464.5 million in 2024. This increase was primarily due to the increase in the Group's gross floor area under management for residential properties during the year ended 31 December 2024.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment slightly decreased from approximately RMB222.2 million in 2023 to approximately RMB222.1 million in 2024.

Non-residential Property Management and Commercial Operational Services

The following table sets forth a breakdown of the Group's revenue from non-residential property management and commercial operational services by service line for the periods indicated:

	Year ended 31 December			
	2024		2023	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**22,127**	**1.2**	24,159	1.1
Property management services	**1,621,214**	**89.9**	1,830,721	87.0
Commercial operational services	**55,876**	**3.1**	121,059	5.8
Other value-added services	**105,076**	**5.8**	128,967	6.1
Total	**1,804,293**	**100.0**	2,104,906	100.0

Pre-sale Management Services

Revenue generated from pre-sale management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB24.2 million in 2023 to approximately RMB22.1 million in 2024. This decrease was primarily due to the decrease in the number of sales offices of non-residential properties under the Group's management during the year ended 31 December 2024.

Property Management Services

Revenue generated from property management services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB1,830.7 million in 2023 to approximately RMB1,621.2 million in 2024. The decrease was largely due to the strategic contraction of the urban services business and the adjustment of commercial terms from a lump sum basis to a commission basis for some of the commercial property projects managed by the Group during the year ended 31 December 2024.

Commercial Operational Services

Revenue generated from commercial operational services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB121.1 million in 2023 to approximately RMB55.9 million in 2024. Such decrease was primarily due to the decrease in the number of shopping centres at preparation stage to which the Group provided preliminary planning and consultancy services during the year ended 31 December 2024.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment decreased from approximately RMB129.0 million in 2023 to approximately RMB105.1 million in 2024. The decrease was mainly due to the weak macroeconomic environment, leading to a decrease in customers' demand for valued-added services. Such decrease includes the decrease in site utilization fees, escort fees and promotion fees.

Cost of Sales

The Group's cost of sales represents costs and expenses directly attributable to the provision of its services, which comprises (i) labor costs; (ii) subcontracting costs; (iii) utilities costs; (iv) office expenses; (v) cleaning expenses; (vi) rent and management fees for staff dormitory and car parks; (vii) security expenses; and (viii) others. For the year ended 31 December 2024, the total cost of sales of the Group was approximately RMB2,690.8 million, which was slightly increased by approximately RMB24.2 million or 0.9% as compared to approximately RMB2,666.6 million for the year ended

31 December 2023. During the year ended 31 December 2024, economic recovery continued to be slow and competition in the property management industry intensified. Additional costs were incurred in order to improve the service quality of the Group and enhance customers' satisfaction.

Gross Profit and Gross Profit Margin

As a result of the foregoing, during the year ended 31 December 2024, the gross profit of the Group decreased by approximately RMB299.7 million or 25.3% to approximately RMB882.7 million in 2024 from approximately RMB1,182.4 million in 2023. The Group reported gross profit margin of 24.7% for the year ended 31 December 2024 (2023: 30.7%).

Other Income and Gains

The other income and gains of the Group increased by approximately RMB74.8 million or 160.9% to approximately RMB121.3 million in 2024 from approximately RMB46.5 million in 2023, and mainly comprised provision for compensation on profit guarantee in relation to acquisition made in prior years in accordance with the terms of the relevant agreements of approximately RMB96.5 million and government grants of approximately RMB7.4 million for the year ended 31 December 2024.

In respect of the provision for compensation on profit guarantee mentioned above, it relates to the acquisition of 50% equity interest in Guangdong Telijie Environment Engineering Company Limited (廣東特麗潔環境工程有限公司) ("**Telijie**") as disclosed in the announcement of the Company dated 10 January 2022 (the "**Acquisition Announcement**"). As at 31 December 2024, based on the unaudited management accounts of Telijie currently available to the Company, the accumulated net profit before non-recurring items for the three years ended 31 December 2024 of Telijie was RMB61.4 million, which was less than the Guaranteed Net Profit (as defined in the Acquisition Announcement) of RMB109.2 million. Pursuant to the terms of the equity transfer agreement, there was no option for the Company to sell Telijie back to the vendors if the profit guarantee is not met. Instead, the vendors shall compensate to the Company approximately RMB96.5 million if based on the unaudited management account of Telijie.

As the profit specific audit report of Telijie for the year ended 31 December 2024 is not yet available, the provision for the compensation receivable is only an estimate based on the management accounts of Telijie currently available to the Company, and may be subject to change. The Company will disclose any updates on the final amount of the compensation receivable and whether the vendors have fulfilled their obligations in accordance with the Listing Rules as appropriate.

Administrative Expenses

Administrative expenses mainly consist of (i) salaries and allowances for the Group's administrative and management personnel; (ii) depreciation and amortisation costs; and (iii) office expenses. For the year ended 31 December 2024, the administrative expenses of the Group were approximately RMB471.6 million, which decreased by approximately RMB35.8 million or 7.1% as compared to approximately RMB507.4 million for the year ended 31 December 2023. Such decrease was mainly due to the decrease in amortisation costs in 2024 in relation to certain intangible assets of subsidiaries acquired in previous years, which had been fully amortised in 2023. In addition, the decrease in administrative expenses also reflected the Group's continuous improvement in management efficiency.

Other Expenses, Net

For the year ended 31 December 2024, the other expenses of the Group was approximately RMB1,050.0 million (2023: approximately RMB548.2 million) and mainly comprised impairment losses on trade receivables and impairment losses on goodwill of approximately RMB279.8 million and RMB630.0 million, respectively. The increase in impairment losses on goodwill was mainly due to certain contracts of certain subsidiaries acquired by the Group in previous years could not be renewed as a result of intense market competition. The expansion of new customers base of these subsidiaries also fell short of expectations, which coupled with the increase in cost for service quality enhancements, led to a decrease in revenue and profits for such subsidiaries. On the other hand, after taking into consideration of the credit risk and market environment, the Group had recorded appropriate impairment provisions for trade receivables in view of the continuous downturn of the real estate market in the PRC during the year ended 31 December 2024 which led to slow pace of recovery of trade receivables.

Income Tax

For the year ended 31 December 2024, the income tax expenses of the Group was approximately RMB9.7 million (2023: approximately RMB77.7 million).

Net (Loss)/Profit

As a result of the foregoing, the Group recorded a net loss of approximately RMB558.7 million for the year ended 31 December 2024, as compared with the net profit of approximately RMB62.3 million for the year ended 31 December 2023.

FINANCIAL POSITION AND CAPITAL STRUCTURE

Total Assets, Total Liabilities and Current Ratio

As at 31 December 2024, the total assets of the Group was approximately RMB6,184.5 million (as at 31 December 2023: approximately RMB6,894.4 million), and the total liabilities was approximately RMB3,042.4 million (as at 31 December 2023: approximately RMB3,185.0 million). As at 31 December 2024, the current ratio of the Group was 1.84 (as at 31 December 2023: 1.82).

Cash and Cash Equivalents

As at 31 December 2024, the Group's cash and cash equivalents amounted to approximately RMB1,145.6 million, representing a decrease of approximately 20.6% as compared with approximately RMB1,442.9 million as at 31 December 2023. The decrease was mainly due to the slow pace of recovery of trade receivables, and the repayments of principals of certain interest-bearing bank and other borrowings. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB99.0 million and RMB30.5 million which were denominated in HKD and USD, respectively.

Borrowings and Charges on the Group's Assets

As at 31 December 2024, the Group's total borrowings were approximately RMB524.1 million (as at 31 December 2023: approximately RMB637.0 million). Amongst which, approximately RMB126.3 million will be repayable within 1 year and approximately RMB397.8 million will be repayable between 2 and 5 years. The Group's bank and other loans were secured by trade receivables, other receivables and property, plant and equipment of the Group with total carrying value of approximately RMB148.7 million, and equity interest of a subsidiary of the Group. All the Group's bank and other loans were denominated in RMB. All of the Group's bank and other loans were charged at floating interest rates except for loan balance of approximately RMB507.6 million which were charged at fixed interest rates of 5.48% to 8.70% per annum as at 31 December 2024.

Trade Receivables

The Group's trade receivables mainly represent receivables from residential property management services and non-residential property management and commercial operational services. The Group's trade receivables as at 31 December 2024 amounted to approximately RMB2,783.6 million, representing an increase of approximately RMB342.4 million or 14.0% as compared to approximately RMB2,441.2 million as at 31 December 2023. Due to the continuous downturn of the real estate market in the PRC during the year ended 31 December 2024 and the significant changes in the market environment including weakened demand and downward pressure on housing prices which posed difficulties on the overall business environment, the pace of recovery of trade receivables continued to be slow. At the same time, the Group had made appropriate impairment provisions during the year ended 31 December 2024.

Trade Payables

The Group's trade payables as at 31 December 2024 amounted to approximately RMB609.0 million, representing an increase of approximately RMB74.2 million or 13.9% as compared to approximately RMB534.8 million as at 31 December 2023. In order to improve the efficiency of working capital, the Group actively negotiated with certain third-party suppliers to extend the term of payment, resulting in an increase in trade payables as at 31 December 2024.

Gearing Ratio

The Group's gearing ratio is calculated by dividing the net debt (total debt net of cash and cash equivalents and restricted cash) by total equity. As the Group was in a net cash position as at 31 December 2024 and 2023, the gearing ratio was not applicable to the Group.

Contingent Liabilities

As at 31 December 2024 and 2023, the Group did not have any material contingent liabilities.

Foreign Exchange Risk

The Group mainly operates in the PRC and most of its operations are denominated in RMB. The Group will closely monitor the fluctuations of the RMB exchange rate and give prudent consideration as to entering into currency swap arrangement as and when appropriate for hedging corresponding risks. During the year ended 31 December 2024, the Group had not engaged in hedging activities for managing foreign exchange rate risk.

SIGNIFICANT INVESTMENTS HELD, MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES, AND FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

During the year ended 31 December 2024, there were no significant investments held, no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group, nor was there any plan authorised by the Board for other material investments or additions of capital assets at the date of this announcement.

USE OF NET PROCEEDS FROM THE LISTING

The ordinary shares of the Company (the "**Share(s)**") were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 30 October 2020 by way of Global Offering (as defined in the prospectus of the Company dated 19 October 2020, the "**Prospectus**"), raising the total net proceeds (after deducting professional fees, underwriting commissions and other related listing expenses) of approximately Hong Kong dollars ("**HK$**") 2,913.1 million (the "**Net Proceeds**"). For details of the original proposed allocation of the Net Proceeds, please refer to the section headed "Future Plans and Use of Proceeds — Use of Proceeds" in the Prospectus.

On 29 June 2021, the Group resolved to revise the allocation of the Net Proceeds to apply the unutilised and unplanned Net Proceeds as follows: (i) approximately HK$705.7 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$241.3 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$145.6 million for further diversifying its value-added services; and (iv) approximately HK$72.8 million for its general corporate purposes and working capital. Details of the re-allocation are set out in the Company's announcement dated 29 June 2021.

On 10 January 2022, the Board resolved to further adjust the allocation proportion of the Net Proceeds as set out in the announcement of the Company dated 10 January 2022 (the "**Announcement**"), and the unutilised and unplanned Net Proceeds were intended to be allocated and used as follows: (i) approximately HK$250 million for pursuing strategic acquisitions and investment opportunities to further develop strategic alliances, expand its business scale and increase its market shares in residential property management service market and other non-residential property management and commercial operational service market; (ii) approximately HK$120.6 million for upgrading the intelligent service systems in order to further enhance its operational efficiency and service quality; (iii) approximately HK$36.4 million for further diversifying its value-added services; and (iv) approximately HK$52.7 million for its general corporate purposes and working capital.

As at 31 December 2024, an analysis of the utilisation of Net Proceeds is as follows:

Use of the Net Proceeds as set out in the Announcement	**Revised allocation as stated in the Announcement** *HK$ million*	**Unutilised or unplanned Net Proceeds as at 1 January 2024** *HK$ million*	**Utilised or planned Net Proceeds during the year ended 31 December 2024** *HK$ million*	**Unutilised or unplanned Net Proceeds as at 31 December 2024** *HK$ million*
To pursue strategic acquisitions and investment opportunities	2,703.4	—	—	—
To upgrade the intelligent service systems:				
— to purchase and upgrade hardware, establish smart terminal equipment and Internet of Things Platform	84.2	73.4	3.3	70.1
— to develop and upgrade the intelligence service systems	36.4	—	—	—
Diversification into value-added services:				
— to cooperate with companies that provide complementary community products and services	36.4	36.4	—	36.4
For general corporate purposes and working capital	52.7	—	—	—
Total	2,913.1	109.8	3.3	106.5

Barring unforeseen circumstances, based on the Directors' best estimation, the unutilised or unplanned Net Proceeds will be applied according to the intentions disclosed above before 31 December 2025. However, the actual timing for utilising the Net Proceeds may change.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2024, the Group had 15,577 employees (2023: 16,814 employees). Compensation for employees of the Group is made with reference to the market as well as individual performance and contributions, and extensive use of bonuses to link performance with reward is adopted. The Group reviews the remuneration policies and packages on a regular basis and make necessary adjustments that accommodate the pay levels in the industry. In addition to basic salaries, the Group also provides a comprehensive benefit package and career development opportunities, including performance-based bonus payments, share options, retirement schemes, medical benefits, and both internal and external training appropriate to individual needs.

FINAL DIVIDEND

The Board does not recommend any payment of final dividend for the year ended 31 December 2024 (2023: Nil).

ANNUAL GENERAL MEETING

The 2025 annual general meeting of the Company ("**2025 AGM**") will be convened and held on Tuesday, 3 June 2025 and the notice of the 2025 AGM will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) and despatched to the shareholders of the Company (the "**Shareholder(s)**") (if requested) in due course.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining Shareholders' entitlement to attend and vote at the 2025 AGM, the register of members of the Company will be closed from Thursday, 29 May 2025 to Tuesday, 3 June 2025 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2025 AGM, all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 28 May 2025.

CORPORATE GOVERNANCE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of our Shareholders and to enhance corporate value and accountability. During the year ended 31 December 2024, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in the Corporate Governance Code contained in Part 2 to Appendix C1 (the "**CG Code**") to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"), save for the deviations for reasons set out below. The Company will continue to review and monitor its corporate governance practices to ensure the compliance of the CG Code.

Code provision C.1.6 of the CG Code stipulates that independent non-executive directors and other non-executive directors should attend general meetings and code provision F.2.2 of the CG Code stipulates that the chairman of the Board (the "**Chairman**") should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the Chairman, was unable to attend the annual general meeting of the Company convened and held on 5 June 2024, due to his other engagements. In the absence of Mr. KONG Jianmin from the annual general meeting, Mr. KONG Jiannan, an executive Director, acted as the chairman of the annual general meeting to ensure an effective communication with the Shareholders. Mr. KONG Jianmin has also followed up with Mr. KONG Jiannan for any opinions or concerns of the Shareholders expressed at the annual general meeting afterwards.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix C3 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding Directors' securities transactions. In response to specific enquiry made by the Company, all Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2024.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

Neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities (including sale of treasury shares) during the year ended 31 December 2024. As at 31 December 2024, the Company does not hold any treasury shares.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises three members who are independent non-executive Directors.

The Audit Committee has reviewed the annual results of the Group for the year ended 31 December 2024.

SCOPE OF WORK OF INDEPENDENT AUDITOR

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2024 as set out in this announcement have been agreed by Prism Hong Kong Limited ("**Prism**"), to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2024. The work performed by Prism in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism on this results announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There were no material events of the Group subsequent to 31 December 2024 and up to the date of this announcement.

ANNUAL REPORT

The 2024 annual report of the Company containing all the financial and other related information of the Group required by the Listing Rules will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk), and printed copies will be sent to the Shareholders (if requested) by the end of April 2025.

By order of the Board
KWG Living Group Holdings Limited
KONG Jianmin
Chairman

Hong Kong, 27 March 2025

As at the date of this announcement, the Board comprises Mr. KONG Jianmin (Chairman) as Non-executive Director; Mr. KONG Jiannan and Ms. YANG Jingbo as Executive Directors; and Ms. LIU Xiaolan, Mr. FUNG Che Wai, Anthony and Ms. NG Yi Kum as Independent Non-executive Directors.