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)

(1) ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2023 AND (2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

SUMMARY OF ANNUAL RESULTS

- Revenue for the year ended 31 December 2023 amounted to approximately RMB3,849.0 million, representing a year-on-year decrease of approximately 4.4%.
- Gross profit for the year ended 31 December 2023 amounted to approximately RMB1,182.4 million, representing a year-on-year decrease of approximately 4.7%.
- Profit for the year ended 31 December 2023 amounted to approximately RMB62.3 million, representing a year-on-year increase of approximately 4.1%.

(1) ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of KWG Living Group Holdings Limited (the "**Company**") is pleased to announce its consolidated results of the Company and its subsidiaries (the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
REVENUE	*4*	**3,848,973**	4,025,711
Cost of sales		**(2,666,609)**	(2,785,151)
Gross profit		**1,182,364**	1,240,560
Other income and gains	*5*	**46,483**	84,177
Selling and distribution expenses		**(4,314)**	(4,598)
Administrative expenses		**(507,409)**	(542,838)
Other expenses, net		**(548,181)**	(634,166)
Finance costs		**(35,464)**	(22,906)
Share of profit and loss of:			
Joint ventures		**4,712**	1,164
Associates		**1,784**	2,040
PROFIT BEFORE TAX	*6*	**139,975**	123,433
Income tax expense	*7*	**(77,657)**	(63,582)
PROFIT FOR THE YEAR		**62,318**	59,851
Attributable to:			
Owners of the parent		**30,303**	3,412
Non-controlling interests		**32,015**	56,439
		62,318	59,851
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE PARENT:			
Basic (expressed in RMB cents per share)	*8*	**1.50**	0.17
Diluted (expressed in RMB cents per share)	*8*	**1.50**	0.17

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2023

	2023	2022
	RMB'000	*RMB'000*
PROFIT FOR THE YEAR	**62,318**	59,851
OTHER COMPREHENSIVE INCOME/(LOSS)		
Other comprehensive loss that may be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	**(20,617)**	(117,159)
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of the Company	**33,814**	203,564
OTHER COMPREHENSIVE INCOME FOR THE YEAR	**13,197**	86,405
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**75,515**	146,256
Attributable to:		
Owners of the parent	**43,500**	89,817
Non-controlling interests	**32,015**	56,439
	75,515	146,256

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2023

	Notes	**2023** **RMB'000**	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**78,885**	102,675
Investment properties		**4,722**	6,300
Goodwill		**1,343,904**	1,599,744
Other intangible assets		**570,414**	698,583
Investment in joint ventures		**7,490**	2,778
Investment in associates		**7,626**	7,438
Deferred tax assets		**230,864**	141,243
Other non-current assets		**8,000**	1,725
Total non-current assets		**2,251,905**	2,560,486
CURRENT ASSETS			
Trade receivables	*9*	**2,441,232**	2,052,449
Prepayments, other receivables and other assets		**752,009**	464,843
Restricted cash		**6,323**	19,412
Cash and cash equivalents		**1,442,889**	1,847,501
Total current assets		**4,642,453**	4,384,205
CURRENT LIABILITIES			
Trade payables	*10*	**534,764**	575,369
Other payables and accruals		**1,186,252**	1,397,325
Contract liabilities	*4*	**258,809**	225,945
Lease liabilities		**3,622**	8,571
Interest-bearing bank and other borrowings		**148,020**	174,244
Tax payable		**421,097**	367,044
Financial liabilities at fair value through profit or loss		**—**	211,809
Total current liabilities		**2,552,564**	2,960,307
NET CURRENT ASSETS		**2,089,889**	1,423,898
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,341,794**	3,984,384

	2023	2022
	RMB'000	*RMB'000*
NON-CURRENT LIABILITIES		
Lease liabilities	**3,139**	6,221
Interest-bearing bank and other borrowings	**488,989**	377,306
Deferred tax liabilities	**140,263**	172,338
Total non-current liabilities	**632,391**	555,865
Net assets	**3,709,403**	3,428,519
EQUITY		
Share capital	**17,568**	17,568
Reserves	**3,377,893**	3,124,045
Equity attributable to owners of the parent	**3,395,461**	3,141,613
Non-controlling interests	**313,942**	286,906
Total equity	**3,709,403**	3,428,519

NOTES TO FINANCIAL STATEMENTS

31 December 2023

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 2023, 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 Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") 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 2023. 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 new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 17	*Insurance Contracts*
Amendments to HKFRS 17	*Insurance Contracts*
Amendment to HKFRS 17	*Initial Application of HKFRS 17 and HKFRS 9 — Comparative Information*
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 adoption of the above new and revised standards has had no significant financial effect on these consolidated financial statements.

The amendments to HKAS 1 and HKFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures. The application of the amendments has had no material impact on the Group's financial performance and positions.

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 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 other receivables, net			**67,007**
Capital expenditure*	**9,161**	**6,689**	**15,850**
Unallocated amounts of capital expenditure			**6,554**
			22,404

Year ended 31 December 2022

	Residential property management services *RMB'000*	Non-residential property management and commercial operational services *RMB'000*	Total *RMB'000*
Segment revenue	1,875,125	2,150,586	4,025,711
Segment result	477,276	379,510	856,786
Reconciliation:			
Interest income and unallocated income			84,177
Unallocated expenses			(794,624)
Finance costs			(22,906)
Profit before tax			123,433
Income tax expense			(63,582)
Profit for the year			59,851

	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:			
A joint venture	—	1,164	1,164
An associate	—	2,040	2,040
Depreciation of property, plant and equipment			30,648
Amortisation of other intangible assets			119,730
Impairment losses on goodwill			143,415
Impairment losses on trade receivables, net			435,576
Reversal of impairment losses on other receivables, net			(9,480)
Fair value losses on financial liabilities at fair value through profit or loss			10,723
Capital expenditure*	12,282	181,220	193,502
Unallocated amounts of capital expenditure			520,297
			713,799

* Capital expenditure consists of additions to property, plant and equipment and other intangible assets including additions from the acquisition of subsidiaries.

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 2023 and 2022, approximately RMB658.0 million and RMB860.3 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

	2023	2022
	RMB'000	*RMB'000*
Types of services by segment		
Residential property management services		
Pre-sale management services	**180,978**	260,427
Property management services	**1,340,910**	1,283,538
Community value-added services	**222,179**	331,160
	1,744,067	1,875,125
Non-residential property management and commercial operational services		
Pre-sale management services	**24,159**	31,397
Property management services	**1,830,721**	1,866,277
Commercial operational services	**121,059**	134,455
Other value-added services	**128,967**	118,457
	2,104,906	2,150,586
Total revenue from contracts with customers	**3,848,973**	4,025,711
Timing of revenue recognition		
Revenue from contracts with customers recognised over time	**3,649,727**	3,684,708
Revenue from contracts with customers recognised at a point in time	**199,246**	341,003
Total	**3,848,973**	4,025,711

Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2023	2022
	RMB'000	*RMB'000*
Third parties	**258,150**	223,113
Related parties	**659**	2,832
	258,809	225,945

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 2023 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:

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the reporting period:		
Residential property management services	**173,623**	83,722
Non-residential property management and commercial operational services	**24,642**	16,442
	198,265	100,164

(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.

5. OTHER INCOME AND GAINS

	2023	2022
	RMB'000	*RMB'000*
Interest income	**2,807**	28,238
Government grants	**20,141**	15,803
Gain on disposal of property, plant and equipment, net	**1,224**	515
Late penalty income	**2,459**	5,596
Tax incentives on value-added tax	**14,252**	23,359
Realised income from wealth management financial products	**1,360**	1,914
Others	**4,240**	8,752
	46,483	84,177

6. PROFIT BEFORE TAX

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

	2023	2022
	RMB'000	*RMB'000*
Cost of services provided	**2,666,609**	2,785,151
Depreciation of property, plant and equipment	**34,830**	30,648
Amortisation of other intangible assets	**131,252**	119,730
Auditor's remuneration	**3,720**	4,528
Gain on disposal of property, plant and equipment, net	**(1,224)**	(515)
Fair value losses on financial liabilities at fair value through profit or loss	**—**	10,723
Fair value losses on investment properties	**1,578**	—
Employee benefit expense (excluding directors' and chief executive's remuneration)		
Wages and salaries	**1,098,996**	1,263,601
Share-based compensation expense	**1,415**	6,093
Pension scheme contributions	**103,691**	129,908
Other employee benefits	**122,671**	133,361
	1,326,773	1,532,963
Impairment losses on goodwill	**255,840**	143,415
Net impairment losses recognised/(reversed) on financial assets		
— Trade receivables	**205,947**	435,576
— Other receivables	**67,007**	(9,480)
	272,954	426,096
Rental expense:		
Short-term leases and low-value leases	**8,092**	11,204

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 2023.

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 2023.

	2023	2022
	RMB'000	*RMB'000*
Current	**199,353**	199,975
Deferred	**(121,696)**	(136,393)
	77,657	63,582

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

The calculation of the basic and diluted earnings per share amounts is based on the 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 (2022: 2,020,657,644) and 2,026,330,445 (2022: 2,021,748,677), respectively in issue during the year ended 31 December 2023.

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

	2023	2022
Earnings		
Profit attributable to ordinary equity holders of the parent *(RMB'000)*	**30,303**	3,412
Shares		
Weighted average number of ordinary shares in issue during the year in the basic earnings per share calculation	**2,025,858,916**	2,020,657,644
Weighted average number of ordinary shares in issue during the year in the diluted earnings per share calculation	**2,026,330,445**	2,021,748,677
Earnings per share		
Basic *(RMB cents per share)*	**1.50**	0.17
Diluted *(RMB cents per share)*	**1.50**	0.17

9. TRADE RECEIVABLES

	2023	2022
	RMB'000	*RMB'000*
Related parties	**1,832,426**	1,387,036
Third parties	**1,353,754**	1,255,874
Trade receivables	**3,186,180**	2,642,910
Less: Allowance for impairment of trade receivables	**(744,948)**	(590,461)
	2,441,232	2,052,449

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:

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**1,364,665**	1,356,263
1 to 2 years	**909,555**	579,389
2 to 3 years	**117,031**	107,517
Over 3 years	**49,981**	9,280
	2,441,232	2,052,449

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

	2023	2022
	RMB'000	*RMB'000*
At beginning of year	**590,461**	17,460
Acquisition of subsidiaries	**—**	141,386
Impairment losses recognised, net *(note 6)*	**205,947**	435,576
Amount written off as uncollectible	**(51,460)**	(3,961)
At end of year	**744,948**	590,461

10. TRADE PAYABLES

	2023	2022
	RMB'000	*RMB'000*
Related parties	**201**	6,665
Third parties	**534,563**	568,704
	534,764	575,369

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

	2023	2022
	RMB'000	*RMB'000*
Within 1 year	**459,382**	507,502
1 to 2 years	**50,069**	56,755
2 to 3 years	**16,399**	7,277
Over 3 years	**8,914**	3,835
	534,764	575,369

11. DIVIDENDS

The Board does not recommend any final dividend for the year ended 31 December 2023 (2022: 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 2023.

In 2023, the complexity, severity and uncertainty of the external environment increased. In recent years, with the adjustment of the real estate market, the growth rate of the property management industry has shifted. In the past, the model of achieving growth through external mergers and acquisitions and new property development and delivery has ceased, the competition in the existing market has become increasingly fierce, and the growth rate of the overall management scale of the property management industry has slowed down slightly.

The property management industry is constantly changing and our confidence in the industry remains. According to the Catalogue for Guiding Industry Restructuring (2024 Edition) issued by the National Development and Reform Commission (NDRC) on 27 December 2023, the property service industry is included in the "encouraged catalogue-business service industry", which clarifies the positioning of the consumer service industry. At the same time, unlike the general consumer service industry, the property management services have stronger customer stickiness and closer connection with people's lives. Therefore, in the process of diminishing the nature of the real estate chain, the property management industry is also increasingly positioned to favor the consumer industry, and the anti-cyclical nature is gradually becoming prominent.

The Group has actively responded to market changes, consolidated its business foundation, strengthened its independent market development capabilities, optimized its business structure, and pursued quality development. During the year ended 31 December 2023, the Group achieved a revenue of approximately RMB3,849.0 million, of which the proportion of revenue from third parties increased from 78.6% in 2022 to 82.9% in 2023, further accelerating the independent development process. For the year ended 31 December 2023, the Group achieved gross profit of approximately RMB1,182.4 million and gross profit margin of approximately 30.7%.

1. Maintaining stability and improving efficiency with core business growing steadily

In the face of the ever-changing market environment, the Group re-examined its development stage, returned to the essence of service, and adhered to the principle of integrity and innovation.

Keeping on the right track through rightful activities as well as maintaining safety and stability have always been the primary goal of our operations. The Group has built a profitable business value chain, forming a three-tier management framework for projects, regions and the group headquarter, alongside with specialized business unit(s) to encourage innovation and revenue generation, and functional business partner(s) to support business development. During the year ended 31 December 2023, the Group strengthened the operation, refined the organization, adhered to quality control and improved customers satisfaction, thus its core business grew steadily. As of 31 December 2023, the revenue from the property management services of the residential property segment for the year ended 31 December 2023 was approximately RMB1,340.9 million, representing a year-on-year increase of approximately 4.5%.

As the Chinese saying goes, "Adversity Leads to Change, and Change Leads to Prosperity". In the face of the contradiction between the high cost of customer demand information flow and the timeliness of demand response and high professional requirements, the Group has aligned the front-end customer demands, employee demands and management demands, matched and upgraded the business scenarios and management models, and reconstructed the business systems and service models. In 2023, the Group continued to conduct digital and intelligent transformation, built a new system to improve quality and efficiency, optimized business processes with the focus on the large operation center, and built new quality productivity with the application of cutting-edge technology of artificial intelligence tools. For the year ended 31 December 2023, the Group's unit efficiency (i.e. revenue per unit of labor cost) increased by approximately 10.2 percentage points compared with the same period in 2022, which attributable to the full release of the productivity and creativity of front-line employees.

2. Responding to changes and growth of differentiated operations and strengthening real estate space service capabilities

In 2023, the risk resistance and resilience of commercial assets under different economic cycles were verified again. However, with the slower growth in population and the supply previously stocked at the time of rapid growth being gradually released in the market, how to "respond to changes" may become a more important issue than "growth".

From the perspective of shopping malls, the shopping malls in the PRC are also gradually entering the stage of stock competition. Excluding fixed factors such as location and construction, the matters involving early planning and positioning, investment attraction, operation, customer service and property management, are all important variables of asset value differences. How to explore, combine and support potential merchants, adjust the original tenants, enhance customer stickiness, and transform customer recognition into a long-term consumption conversion rate and repurchase rate are problems that we continue to think about. Taking Suzhou U

Fun, which is operated and managed by the Group, as an example, based on the market research of customer groups and competitors peripheral to the project, the Group took the initiative to adjust its business and brand portfolio, introduced experience-based business formats and a number of regional first stores to attract customer inflow. Not only did the sales and membership of the shopping mall reach a new high in five years since its opening, we also helped 96 tenants achieve a new high in monthly sales, achieving a win-win situation.

From the perspective of office buildings, with reference to the mature market experience, as more and more real estate is self-built and held by enterprises, the business of their property services, administration and energy management is usually outsourced, and the services and operations of such real estate space have a broad market. In terms of strategies, the Group anchored the core areas and adopted a one-on-one strategy: for the core areas, the Group achieved a breakthrough point with the single outsourced service of comprehensive facilities and equipment services for high-end office buildings, and cooperated with merchants to solve the pain points of property owners. For satellite cities, we will strive for incremental markets such as parks and new districts.

3. Boosting post-investment management capabilities to empower member companies to compete

After several rounds of in-depth integration, the Group provided support to member companies from various aspects such as system, process, talent management and empowerment. In accordance with the model of "one enterprise, one policy", the member companies can access to the online management tools and control models that meet their own characteristics and the current development stage.

In terms of the target management system, the Group has formed an assessment mechanism of "target mapping, achievement analysis, strategy output, self-monitoring, and assessment review" on the basis of deep consensus and mutual trust with member companies. In terms of the specific expansion strategy, the Group carried out full-line expansion by standardizing the expansion mechanism by the headquarters, empowering from the aspects of licenses, brands and specialties, giving priority to matching advantageous brands, and empowering regional and member companies to integrate resources and share channels and resources to improve the matching efficiency of expansion resources. Based on the above measures, among the new external expansion projects in 2023, the number of third-party projects of the Group accounted for approximately 82.4% of the total number of external expansion projects, further enhancing its market-oriented capabilities.

During the process of integration of member companies, how to retain the characteristics of the original enterprises to the greatest extent, to consolidate their existing advantages in the original market segments, and on this basis, to continuously upgrade and break through are the important issues for our post-investment management. Taking a member company of our public infrastructure segment as an example, it has been deeply engaged in public and institutional properties in Shanghai for many years. Since its acquisition by the Group, it has opened up the service market of colleges and universities with its professional service capabilities. In 2023, it also achieved a breakthrough in the hospital industry with its professional services.

4. Future Outlook

The natural flow of energy restores after the Winter Solstice. High-quality development will remain as the Group's goal and our self-initiative. 2024 is a year of revitalization in which the Group will continue to conduct digital and intelligent transformation and build new quality productivity. 2024 is a year of self-improvement in which the Group will consolidate the competitive barriers in existing markets such as residential, commercial, institutional and public properties and hospitals, explore potential opportunities in the market and enhance market capabilities. 2024 is a year of self-driving in which the Group will continue to improve and seek a balance between cost and efficiency while ensuring that customers obtain the ultimate user experience.

Thanks to the trust and support of all shareholders and ecological partners of the Company, the Group will continue to move forward with determination, firmly adhere to the original aspiration of digital and intelligent transformation, explore new ground, and polish our professional capabilities to earn operating profits and achieve high-quality development. In 2024, I look forward to working with you again.

BUSINESS REVIEW

In 2023, amidst the challenging environment of the economy and the real estate market in the PRC, we adhered to the original intention of providing quality property services, actively reduced high-risk businesses, continued to deepen the basic property services, and improved operational efficiency.

Property Management Services Maintaining Stable

For the year ended 31 December 2023, the Group achieved a total revenue of approximately RMB3,849.0 million, representing a year-on-year decrease of approximately 4.4%, mainly due to the decrease in revenue from pre-sale management services and value-added services as a result of the pressure encountered by the real estate industry in the PRC. However, with the implementation of our strategy to return to the essence of property services, the Group's revenue from property management services increased steadily. For the year ended 31 December 2023, the overall revenue from property management services reached approximately RMB3,171.6 million, increasing by approximately 0.7% as compared with that of 2022. In particular, revenue from property management services of the residential segment reached approximately RMB1,340.9 million, representing a year-on-year increase of approximately 4.5%.

Further Improvement in Independence

In the past year, the Group's independence has been further enhanced. For the year ended 31 December 2023, among the total revenue of the Group, revenue from independent third parties accounted for approximately 82.9%, representing an increase of approximately 4.3 percentage points as compared to 2022. As of 31 December 2023, the number of third-party projects in the projects under management accounted for 90.0% of the total number of projects under management, and the gross floor area ("**GFA**") under management of third-party projects accounted for approximately 86.9% of the total GFA under management. Among the new external expansion projects in 2023, the number of third-party projects accounted for approximately 82.4% of the total number of external expansion projects. This proves that the Group is firmly moving forward on the path of independent development.

Diversified Business Strategy

In an economic environment where the real estate market was under pressure, the Group adhered to its independent development path, continued to expand its business presence in various business sectors, and ensured the stable and long-term development of the Group's business. As of 31 December 2023, the Group has achieved its diversified service presence of "residential + commercial property and operation + public facilities and urban services". In 2023, we expanded the high-quality residential projects such as Shandong Baocheng Community (山東博城社區) with the help of our excellent residential property service reputation. At the same time, through industry-leading comprehensive commercial property services and operational capabilities, we continued to provide high-quality property management and operational services for a number of commercial projects such as shopping malls and office buildings. We have also tapped into the high-quality public property projects such as the Vipshop Nansha Logistics Park, Guangzhou Tianhe District People's Hospital and Shanghai Construction Management Vocational College through our professional, refined and standardized service capabilities in the field of public property.

Creating the Future with Original Aspiration

Adhering to the philosophy of "Creating the Future with Original Aspiration", we return to the original intention of providing quality property management services and strive to become an industry-leading and trustworthy smart service operator. Digitalization is business-driven and the core action of the Group in the future. We focus on the comprehensive design of our dual cores of digital operation and services features, and gradually transform from the traditional business service model to the new business service model. We not only aligned the front-end customer demands, employee demands and management demands, but also reconstructed the Group's strategic evaluation index system, digital operation management system, customer research service design, organizational reform of manpower mode and value-added service scenarios. We designed our dual new systems through focusing on the digital revitalization again.

The first new system is a new business system based on digital operation. The first keyword of the new business system is business and financial integration. We have built new window systems, Kingdee financial system and budget management system. The second keyword is software and hardware interoperability. We connected the software and hardware. The third keyword is integration and efficiency enhancement. We forged the digital foundation for our business management in the future by building a new logical command center and linking the large, medium and small screens. At the same time, in all the new business systems, we uphold the principle to achieve zero-cost operation of information flow in the service process, improve quality and efficiency, and continuously improve the design of our business system. In May 2023, the Group and Tencent Cloud Computing (Beijing) Co., Ltd ("**Tencent Cloud**"), a subsidiary of Tencent Holdings Limited (listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), stock code: 700), completed the set-up of the joint innovation laboratory, the first of this kind in the property management services industry. On the basis of strategic cooperation, we focus on cutting-edge innovative research for future innovative services and artificial intelligence (AI) customer service.

The second new system is a new service system based on service design. Technology systems and digital tools should be applied to the property management services. Currently, we have built a new service system of the Group. Focusing on service design and iteration of new products, we have made new design and built a new architecture in terms of interpersonal touch points, physical touch points and digital touch points. We have launched products such as "Ma Shang You Xiang Service (碼上悠享)" and "Super

Butler (超級管家)", as well as a series of high-quality heart-warming services and activities such as equipment renewal, "Huancai Lighting Festival" and "Spring Breeze Action" programs. We hope that this dual-new system will continue to play a role in the Group, demonstrating our value in response to customers, value in use and value in care. At present, the Group's digital and intelligent transformation have begun to bear fruit. In 2023, the Group's unit efficiency (i.e. revenue per unit of labor cost) increased by approximately 10.2 percentage points year-on-year as compared to 2022.

In 2023, the Group's comprehensive service strength, brand power and influence were affirmed and recognized by the market, and won the titles of "2023 Top 11 of China Top 100 Property Management Companies in terms of Comprehensive Strength" and "2023 China Top 100 Property Management Companies in terms of Brand Influence" issued by China Property Think Tank, and "2023 Influential Property Management Companies" issued by Guandian Index Academy.

Under the challenging market environment, the Group kept its original aspiration in mind, returned to its original intention, empowered its business with digital intelligence strength, continuously improved its service quality and operational efficiency, and built a technology-driven service group to become a technology company in the service industry. Through the strategies of diversified service and specialized service presence, the Group provide the customers with differentiated and refined high-quality property management services. Adhering to the path of independent development, the Group will move forward steadily and work together with customers and shareholders to build a future through innovation.

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 residential property management services to afford various services meeting 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 utilizing 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 provided 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 sq.m. 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 Group's 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 reporting periods indicated:

	Year ended 31 December			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services				
Pre-sale management services	**180,978**	**4.7**	260,427	6.5
Property management services	**1,340,910**	**34.8**	1,283,538	31.9
Community value-added services	**222,179**	**5.8**	331,160	8.2
Sub-total	**1,744,067**	**45.3**	1,875,125	46.6
Non-residential property management and commercial operational services				
Pre-sale management services	**24,159**	**0.6**	31,397	0.8
Property management services				
— Commercial properties	**465,062**	**12.1**	456,382	11.3
— Public property and urban area	**1,365,659**	**35.5**	1,409,895	35.1
Commercial operational services	**121,059**	**3.1**	134,455	3.3
Other value-added services	**128,967**	**3.4**	118,457	2.9
Sub-total	**2,104,906**	**54.7**	2,150,586	53.4
Total	**3,848,973**	**100.0**	4,025,711	100.0

Residential Property Management Services

For the year ended 31 December 2023, the Group's revenue from the residential property management services segment decreased by approximately 7.0% year-on-year to approximately RMB1,744.1 million from approximately RMB1,875.1 million for the same period in 2022. The decrease 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 during the year ended 31 December 2023. Excluding pre-sale management services and other value-added services, the revenue from property management services of the residential property segment in 2023 was approximately RMB1,340.9 million, representing a year-on-year increase of approximately 4.5%.

For the year ended 31 December 2023, the Group continued to deeply cultivate the residential property management services, focused on existing advantageous regions, and replicated successful project experience in surrounding areas to optimize our national presence. For the year ended 31 December 2023, approximately 57.3% of the Group's residential property management services segment revenue are from the Greater Bay Area and the Yangtze River Delta region.

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			
	2023		2022	
	Revenue ***(RMB'000)***	*%*	Revenue *(RMB'000)*	*%*
Greater Bay Area	**661,611**	**37.9**	804,068	42.9
Yangtze River Delta[(1)]	**337,820**	**19.4**	349,496	18.6
Midwest China and Hainan[(2)]	**655,816**	**37.6**	632,450	33.7
Bohai Economic Rim[(3)]	**88,820**	**5.1**	89,111	4.8
Total	**1,744,067**	**100.0**	1,875,125	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 2023, the Group's revenue from non-residential property management and commercial operational services segment decreased by approximately 2.1% year-on-year to approximately RMB2,104.9 million from approximately RMB2,150.6 million for the same period in 2022. The decrease was mainly due to the fact that the scale of hospital projects was affected by the decline in demand from cabin hospitals and quarantine sites after the pandemic during the year ended 31 December 2023.

For the year ended 31 December 2023, revenue from the Greater Bay Area decreased by approximately 6.7% year-on-year, mainly due to the impact of the withdrawal of some of the cabin hospitals and quarantine sites under management after the pandemic. The revenue scale of the Yangtze River Delta Region and the Bohai Economic Rim remained flat year-on-year.

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			
	2023		2022	
	Revenue *(RMB'000)*	*%*	Revenue *(RMB'000)*	*%*
Greater Bay Area	**932,786**	**44.3**	999,739	46.5
Yangtze River Delta(1)	**619,988**	**29.5**	614,214	28.5
Midwest China and Hainan(2)	**285,085**	**13.5**	265,789	12.4
Bohai Economic Rim(3)	**267,047**	**12.7**	270,844	12.6
Total	**2,104,906**	**100.0**	2,150,586	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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Residential property management services	**1,744,067**	**45.3**	1,875,125	46.6
Non-residential property management and commercial operational services	**2,104,906**	**54.7**	2,150,586	53.4
Total	**3,848,973**	**100.0**	4,025,711	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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**180,978**	**10.4**	260,427	13.8
Property management services	**1,340,910**	**76.9**	1,283,538	68.5
Community value-added services	**222,179**	**12.7**	331,160	17.7
Total	**1,744,067**	**100.0**	1,875,125	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 RMB260.4 million in 2022 to approximately RMB181.0 million in 2023. 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 during the year ended 31 December 2023.

Property Management Services

Revenue generated from property management services under the Group's residential property management service segment increased from approximately RMB1,283.5 million in 2022 to approximately RMB1,340.9 million in 2023. This increase was primarily due to the increase in the Group's GFA under management for residential properties during the year ended 31 December 2023.

Community Value-added Services

Revenue generated from community value-added services under the Group's residential property management service segment decreased from approximately RMB331.2 million in 2022 to approximately RMB222.2 million in 2023. This decrease was primarily due to the continuous downturn of the real estate market in the PRC during the year ended 31 December 2023.

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			
	2023		2022	
	RMB'000	*%*	*RMB'000*	*%*
Pre-sale management services	**24,159**	**1.1**	31,397	1.4
Property management services	**1,830,721**	**87.0**	1,866,277	86.8
Commercial operational services	**121,059**	**5.8**	134,455	6.3
Other value-added services	**128,967**	**6.1**	118,457	5.5
Total	**2,104,906**	**100.0**	2,150,586	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 RMB31.4 million in 2022 to approximately RMB24.2 million in 2023. 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 2023.

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 RMB1,866.3 million in 2022 to approximately RMB1,830.7 million in 2023. This decrease was primarily due to the decrease in the income from hospital projects during the year ended 31 December 2023.

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 RMB134.5 million in 2022 to approximately RMB121.1 million in 2023. Such decrease was primarily due to the decrease in the income from preliminary planning and consultancy services during the year ended 31 December 2023.

Other Value-added Services

Revenue generated from other value-added services under the Group's non-residential property management and commercial operational service segment increased from approximately RMB118.5 million in 2022 to approximately RMB129.0 million in 2023. This increase was primarily due to the increase in business diversification of the Group during the year ended 31 December 2023.

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 2023, the total cost of sales of the Group was approximately RMB2,666.6 million, which was decreased by approximately RMB118.6 million or 4.3% as compared to approximately RMB2,785.2 million for the year ended 31 December 2022.

Gross Profit and Gross Profit Margin

During the year ended 31 December 2023, the gross profit of the Group decreased by approximately RMB58.2 million or 4.7% to approximately RMB1,182.4 million in 2023 from approximately RMB1,240.6 million in 2022. The Group reported gross profit margin of 30.7% for the year ended 31 December 2023 (2022: 30.8%).

Other Income and Gains

The other income and gains of the Group, which mainly comprised government grants of approximately RMB20.1 million and tax incentive on value-added tax of approximately RMB14.3 million for the year ended 31 December 2023, decreased by approximately RMB37.7 million or 44.8% to approximately RMB46.5 million in 2023 from approximately RMB84.2 million in 2022.

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 2023, the administrative expenses of the Group were approximately RMB507.4 million, which decreased by approximately RMB35.4 million or 6.5% as compared to approximately RMB542.8 million for the year ended 31 December 2022. Such decrease was mainly due to the improvement in management efficiency during the year ended 31 December 2023.

Other Expenses, Net

For the year ended 31 December 2023, the other expenses of the Group was approximately RMB548.2 million (2022: approximately RMB634.2 million) and mainly comprised impairment losses on trade receivables and impairment losses on goodwill of approximately RMB205.9 million and RMB255.8 million, respectively. After taking into consideration of the credit risk and market environment, the Group had recorded appropriate impairment provisions in view of the continuous downturn of the real estate market in the PRC during the year ended 31 December 2023.

Income Tax

For the year ended 31 December 2023, the income tax of the Group was approximately RMB77.7 million (2022: approximately RMB63.6 million). The increase was primarily due to the increase in taxable income during the year ended 31 December 2023.

FINANCIAL POSITION AND CAPITAL STRUCTURE

Total Assets, Total Liabilities and Current Ratio

As at 31 December 2023, the total assets of the Group was approximately RMB6,894.4 million (as at 31 December 2022: approximately RMB6,944.7 million), and the total liabilities was approximately RMB3,185.0 million (as at 31 December 2022: approximately RMB3,516.2 million). As at 31 December 2023, the current ratio of the Group was 1.82 (as at 31 December 2022: 1.48).

Cash and Cash Equivalents

As at 31 December 2023, the Group's cash and cash equivalents amounted to approximately RMB1,442.9 million, representing a decrease of approximately 21.9% as compared with approximately RMB1,847.5 million as at 31 December 2022. All of the Group's cash and cash equivalents were denominated in RMB except for approximately RMB0.2 million which were denominated in HKD and USD.

Borrowings and Charges on the Group's Assets

As at 31 December 2023, the Group's total borrowings were approximately RMB637.0 million (as at 31 December 2022: approximately RMB551.6 million). Amongst which, approximately RMB148.0 million will be repayable within 1 year, approximately RMB464.8 million will be repayable between 2 and 5 years and approximately RMB24.2 million will be repayable after 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 RMB182.6 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 RMB600.4 million which were charged at fixed interest rates as at 31 December 2023.

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 2023 amounted to approximately RMB2,441.2 million, representing an increase of approximately RMB388.8 million or 18.9% as compared to approximately RMB2,052.4 million as at 31 December 2022. Due to the continuous downturn of the real estate market in the PRC during the year ended 31 December 2023, the pace of trade receivables collection was slowed down compared to 2022. At the same time, the Group had made appropriate impairment provisions during the year ended 31 December 2023.

Trade Payables

The Group's trade payables as at 31 December 2023 amounted to approximately RMB534.8 million, representing a decrease of approximately RMB40.6 million or 7.1% as compared to approximately RMB575.4 million as at 31 December 2022.

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 2023 and 2022, the gearing ratio was not applicable to the Group.

Contingent Liabilities

As at 31 December 2023 and 2022, 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 2023, 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 2023, 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 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 2023, 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 2023** *HK$ million*	**Utilised or planned Net Proceeds during the year ended 31 December 2023** *HK$ million*	**Unutilised or unplanned Net Proceeds as at 31 December 2023** *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	75.1	1.7	73.4
— to develop and upgrade the intelligence service systems	36.4	4.6	4.6	—
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	116.1	6.3	109.8

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. The expected timeline of full utilisation is postponed from 31 December 2023 as disclosed in the annual report of the Company for the year ended 31 December 2022, to 31 December 2025, after considering the uncertainty and the complexity in the market environment and the Group has adopted a more prudent approach when determining the use of the Net Proceeds on upgrading its hardware and cooperating with companies that provide complementary community products and services.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2023, the Group had 16,814 employees (2022: 17,598 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 2023 (2022: Nil).

ANNUAL GENERAL MEETING

The 2024 annual general meeting of the Company ("**2024 AGM**") will be convened and held on Wednesday, 5 June 2024 and the notice of the 2024 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 2024 AGM, the register of members of the Company will be closed from Friday, 31 May 2024 to Wednesday, 5 June 2024 (both days inclusive) during which period no transfer of Shares will be registered. In order to qualify for attending and voting at the 2024 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 Thursday, 30 May 2024.

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 2023, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in Part 2 of the Corporate Governance Code as set out in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in force during the year ended 31 December 2023 (i.e. the new Appendix C1 to the Listing Rules with effect from 31 December 2023) (the "**CG Code**"), 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 Part 2 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 Part 2 of the CG Code stipulates that the chairman of the board should attend the annual general meeting. Mr. KONG Jianmin, a non-executive Director and the Chairman, was unable to attend the extraordinary general meeting and the annual general meeting of the Company convened and held on 13 January 2023 and 1 June 2023, respectively, due to his other engagements. In the absence of Mr. KONG Jianmin from these general meetings, Mr. KONG Jiannan, an executive Director, acted as the chairman of these general meetings 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 these general meetings 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 10 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) (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 2023.

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 during the year ended 31 December 2023.

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 2023.

SCOPE OF WORK OF INDEPENDENT AUDITOR

On 27 December 2023, Ernst & Young resigned as the auditor of the Company and Prism Hong Kong and Shanghai Limited ("**Prism**") was appointed as the new auditor of the Company. For details, please refer to the Company's announcement dated 27 December 2023.

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 2023 as set out in this announcement have been agreed by Prism, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31 December 2023. 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 2023 and up to the date of this announcement.

ANNUAL REPORT

The 2023 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 2024.

(2) PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

The Board proposes to put forward to the Shareholders for approval at the 2024 AGM a special resolution to amend the existing amended and restated memorandum of association and second amended and restated articles of association of the Company (the "**Existing Memorandum and Articles of Association**") and to adopt the second amended and restated memorandum of association and the third amended and restated articles of association (the "**New Memorandum and Articles of Association**") in substitution for, and to the exclusion of, the Existing Memorandum and Articles of Association.

The proposed amendments to the Existing Memorandum and Articles of Association (the "**Proposed Amendments**") are for the purposes of, among others, (i) updating and bringing the Existing Memorandum and Articles of Association in line with the latest regulatory requirements pursuant to the Proposals to Expand the Paperless Listing Regime and Other Rule Amendments published by the Stock Exchange in June 2023 and the relevant amendments to the Listing Rules of which came into effect on 31 December 2023, mandating the electronic dissemination of corporate communications by listed issuers to their securities holders; (ii) enabling the Company to convene and hold electronic or hybrid general meetings of the Shareholders and providing provisions to regulate the conduct of such general meetings; and (iii) incorporating certain housekeeping amendments for better alignment with the Listing Rules and the applicable laws of the Cayman Islands. Full version of the Proposed Amendments will be set out in the appendix to the circular to be published by the Company.

The Board is of the view that the Proposed Amendments are in the interests of the Company and the Shareholders as a whole.

The Proposed Amendments are subject to the approval of the Shareholders by way of special resolution at the 2024 AGM and, if approved, will become effective upon such approval. Prior to the passing of the relevant special resolution at the 2024 AGM, the Existing Memorandum and Articles of Association shall remain valid.

After the Proposed Amendments come into effect, the full text of the New Memorandum and Articles of Association will be published on the websites of the Stock Exchange and the Company.

A circular containing, among other things, full version of the Proposed Amendments together with the notice of the 2024 AGM will be published on the Company's website (www.kwgliving.com) and the HKEXnews website (www.hkexnews.hk) in due course, and printed copies will be sent to the Shareholders (if requested).

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

Hong Kong, 26 March 2024

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.