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*(Incorporated in Hong Kong with limited liability)*

**(Stock code: 06626)**

## **ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022**

### **RESULTS HIGHLIGHTS**

- For the year ended 31 December 2022, total revenue amounted to RMB2,486.2 million, representing a year-on-year increase of 29.6%. Among which:
  - (i) revenue from non-commercial property management and value-added services amounted to RMB1,941.1 million, representing a year-on-year increase of 36.2%; and
  - (ii) revenue from commercial property management and operational services amounted to RMB545.1 million, representing a year-on-year increase of 10.5%.
- For the year ended 31 December 2022, gross profit margin was 27.3%.
- For the year ended 31 December 2022, profit attributable to owners of the Company amounted to RMB416.1 million, representing a year-on-year increase of 15.7%.
- For the year ended 31 December 2022, basic earnings per Share was RMB0.27.
- As of 31 December 2022, GFA under management of the Group was 51.7 million sq.m., representing a growth of 33.0% as compared to that of 31 December 2021; and contracted GFA of the Group was 70.6 million sq.m., representing a year-on-year growth of 20.9%.
- The Board has proposed to declare a final dividend of HK\$0.109 per Share (equivalent to RMB0.096 per Share).

## ANNUAL RESULTS

The board (the “**Board**”) of directors (the “**Director(s)**”) of Yuexiu Services Group Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) hereby announces the consolidated annual results of the Group for the year ended 31 December 2022 (the “**Year**”).

### CONSOLIDATED INCOME STATEMENT

	<i>Note</i>	Year ended 31 December	
		2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	2,486,205	1,918,378
Cost of sales	4	<u>(1,806,764)</u>	<u>(1,247,545)</u>
Gross profit		<u>679,441</u>	<u>670,833</u>
Administrative expenses	4	(210,928)	(161,454)
Net impairment losses on financial and contract assets		(3,576)	(3,692)
Other income	5	24,849	14,011
Other gains/(losses) - net	6	<u>14,407</u>	<u>(16,025)</u>
<b>Operating profit</b>		<b>504,193</b>	<b>503,673</b>
Finance income		74,813	23,817
Finance costs		<u>(3,140)</u>	<u>(3,421)</u>
Finance income - net	7	71,673	20,396
Share of results of a joint venture		<u>116</u>	<u>188</u>
<b>Profit before income tax</b>		<b>575,982</b>	<b>524,257</b>
Income tax expense	8	<u>(151,564)</u>	<u>(154,521)</u>
<b>Profit for the year</b>		<b><u>424,418</u></b>	<b><u>369,736</u></b>
<b>Profit attributable to:</b>			
– Owners of the Company		416,099	359,536
– Non-controlling interests		<u>8,319</u>	<u>10,200</u>
		<b><u>424,418</u></b>	<b><u>369,736</u></b>
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	9	0.27	0.27

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	<i>Note</i>	
	2022	2021
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Profit for the year</b>	<b>424,418</b>	369,736
<b>Other comprehensive income/(loss)</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
– Exchange differences on translation of foreign operations	<b>7,448</b>	(2,450)
<i>Items that will not be reclassified to profit or loss</i>		
– Changes in the fair value of equity investments at fair value through other comprehensive income, net of tax	<b>15</b>	(1,972)
<b>Other comprehensive income/(loss) for the year, net of tax</b>	<b>7,463</b>	(4,422)
<b>Total comprehensive income for the year</b>	<b>431,881</b>	365,314
<b>Total comprehensive income attributable to:</b>		
– Owners of the Company	<b>423,562</b>	355,114
– Non-controlling interests	<b>8,319</b>	10,200
	<b>431,881</b>	365,314

## CONSOLIDATED BALANCE SHEET

		As at 31 December	
	Note	2022	2021
		RMB'000	RMB'000
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	36,515	39,437
Right-of-use assets	13	76,394	53,807
Intangible assets	12	344,253	345,883
Interest in a joint venture		933	817
Financial assets at fair value through other comprehensive income		32,156	32,202
Deferred income tax assets		10,858	10,051
Restricted cash		29,147	8,127
		<u>530,256</u>	<u>490,324</u>
<b>Current assets</b>			
Inventories		6,301	1,017
Contract assets	3	37,518	—
Trade and other receivables and prepayments	14	984,777	795,342
Prepaid income taxes		24,097	30,587
Cash and cash equivalents		4,360,789	3,803,434
Restricted cash		4,108	10,744
		<u>5,417,590</u>	<u>4,641,124</u>
<b>Total assets</b>		<u><u>5,947,846</u></u>	<u><u>5,131,448</u></u>
<b>Equity</b>			
<b>Equity attributable to owners of the Company</b>			
Share capital	15	2,543,048	2,543,048
Other reserves	16	(332,519)	(366,854)
Retained earnings	16	1,012,036	755,575
		<u>3,222,565</u>	<u>2,931,769</u>
<b>Non-controlling interests</b>		<u>168,661</u>	<u>158,687</u>
<b>Total equity</b>		<u><u>3,391,226</u></u>	<u><u>3,090,456</u></u>

		<b>As at 31 December</b>	
	<i>Note</i>	<b>2022</b>	2021
		<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Contract liabilities	<i>3</i>	<b>439,308</b>	425,357
Deferred income tax liabilities		<b>58,747</b>	53,018
Lease liabilities	<i>13</i>	<b>38,062</b>	19,529
		<u><b>536,117</b></u>	<u>497,904</u>
<b>Current liabilities</b>			
Trade and other payables	<i>17</i>	<b>1,586,635</b>	1,301,938
Contract liabilities	<i>3</i>	<b>355,690</b>	159,240
Lease liabilities	<i>13</i>	<b>40,774</b>	35,494
Current income tax liabilities		<b>37,404</b>	46,416
		<u><b>2,020,503</b></u>	<u>1,543,088</u>
<b>Total liabilities</b>		<u><b>2,556,620</b></u>	<u>2,040,992</u>
<b>Total equity and liabilities</b>		<u><b>5,947,846</b></u>	<u>5,131,448</u>

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 General information

Yuexiu Services Group Limited (the “**Company**”) and its subsidiaries (together, the “**Group**”) are primarily engaged in the provision of non-commercial property management and value-added services and commercial property management and operational services in the People’s Republic of China (the “**PRC**”).

The Company is a limited liability company incorporated in Hong Kong on 8 October 2020. The address of its registered office is 26/F, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Group was spun off from Yuexiu Property Company limited (“**Yuexiu Property**”) and separately listed on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 28 June 2021. After the listing of the Company, Yuexiu Property remains the controlling shareholder of the Group.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 8 March 2023.

## 2 Summary of significant accounting policies

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

### 2.1 Basis of preparation

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

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

The financial information relating to the years ended 31 December 2021 and 2022 included in this announcement does not constitute the Company’s statutory annual consolidated financial statements for those years but is derived from those financial statements.

Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2021 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance and will deliver the financial statements for the year ended 31 December 2022 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Companies Ordinance.

(iii) New and amended standards adopted by the Group

The Group has applied the following amendments for the first time for their annual reporting period commencing 1 January 2022:

HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract
HKFRS 16 (Amendments)	Covid-19-related Rent Concessions
HKFRS 3 (Amendments)	Reference to the Conceptual Framework
Annual improvements to HKFRS standards 2018-2020	Amendments to HKFRS 1, HKFRS 9, HKFRS 16 and HKAS 41
Revised Accounting Guideline 5	Merger Accounting for Common Control Combination

The Group has assessed the impact of the adoption of these amended standards and interpretation that are effective for the first time for this year. The adoption of these amended standards and interpretation did not result in any significant impact on the results and financial portion of the Group.

(iv) New standards and interpretations not yet adopted by the Group

The following new standards, amendments to existing standards and interpretations have been published but are not effective for the financial year beginning 1 January 2022 and have not been early adopted by the Group. None of these is expected to have significant effect on the consolidated financial statements of the Group.

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



### 3 Segment information

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

The Group has two business segments:

- Non-commercial property management and value-added services

The Group provides non-commercial property management and value-added services, covering (a) non-commercial property management services including cleaning, security, gardening and repair and maintenance services; (b) value-added services to non-property owners, including sales office and display unit management and pre-delivery support services, carpark space sales assistance services, ancillary property leasing services, preliminary planning and design consultancy services and other value-added services to non-property owners; (c) community value-added services to meet the needs of property owners and residents of residential properties under the Group’s management including decoration services, home-living services, space operation services, and other community value-added services.

- Commercial property management and operational services

The Group is engaged in (a) commercial operation and management services, covering commercial property management services and other value-added services; (b) market positioning consultancy and tenant sourcing services, including market positioning and management consultancy services and tenant sourcing services.

(a) **Segment revenue and results**

Segment results represent the profit earned by each segment without other income, other gains/(losses) – net, unallocated operating costs, finance income - net and income tax expense. Revenue recognized at a point in time from contracts with customers mainly represents commission income from carpark space sales assistance services and revenue from sales of goods. Other revenue from contracts with customers is recognized over time. The following is the analysis of the Group's revenue and results by operating and reportable segments:

For the year ended 31 December 2022

	<b>Non-commercial property management and value-added services RMB'000</b>	<b>Commercial property management and operational services RMB'000</b>	<b>Total RMB'000</b>
<b>Revenue from contracts with customers recognized</b>			
– At a point in time	345,015	—	345,015
– Over time	1,596,090	544,265	2,140,355
<b>Revenue from other sources</b>	—	835	835
<b>Total revenue</b>	<b>1,941,105</b>	<b>545,100</b>	<b>2,486,205</b>
<b>Segment results</b>	<b>358,360</b>	<b>133,236</b>	<b>491,596</b>
Other income			24,849
Other gains - net			14,407
Unallocated operating costs			(26,543)
Finance income - net			71,673
Income tax expense			(151,564)
<b>Profit for the year</b>			<b>424,418</b>
<b>Segment results include:</b>			
Depreciation	31,508	34,550	66,058
Amortization	12,904	—	12,904
Net impairment losses/(reversal of impairment losses) on financial and contract assets	3,856	(280)	3,576
Share of results of a joint venture	(116)	—	(116)

For the year ended 31 December 2021

	Non-commercial property management and value-added services <i>RMB'000</i>	Commercial property management and operational services <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Revenue from contracts with customers recognized</b>			
– At a point in time	286,854	18,376	305,230
– Over time	1,138,288	474,331	1,612,619
<b>Revenue from other sources</b>	—	529	529
<b>Total revenue</b>	<u>1,425,142</u>	<u>493,236</u>	<u>1,918,378</u>
<b>Segment results</b>	<u>377,080</u>	<u>153,759</u>	<u>530,839</u>
Other income			14,011
Other losses - net			(16,025)
Unallocated operating costs			(24,964)
Finance income - net			20,396
Income tax expense			<u>(154,521)</u>
<b>Profit for the year</b>			<u><u>369,736</u></u>
<b>Segment results include:</b>			
Depreciation	21,227	43,125	64,352
Amortization	10,927	1,033	11,960
Net impairment losses on financial assets	2,064	1,628	3,692
Share of results of a joint venture	<u>(188)</u>	<u>—</u>	<u>(188)</u>

An analysis of the Group's revenue by category for the years ended 31 December 2022 and 2021 are as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
<b>Non-commercial property management and value-added services</b>		
– Property management services	<b>811,692</b>	642,525
– Value-added services to non-property owners	<b>479,370</b>	340,577
– Community value-added services	<b>650,043</b>	442,040
<b>Commercial property management and operational services</b>		
– Commercial operation and management services	<b>423,475</b>	382,672
– Market positioning consultancy and tenant sourcing services	<b>121,625</b>	110,564
	<b><u>2,486,205</u></b>	<u>1,918,378</u>

The Group had a large number of customers, other than ultimate holding company, intermediate holding company, fellow subsidiaries, associates and joint ventures of Yuexiu Property and non-controlling interest of Yuexiu Property and its subsidiaries, none of the customers contributed 10% or more of the Group's revenue for the year ended 31 December 2022 (2021: Nil).

**(b) Segment assets and liabilities**

Segment assets and liabilities are measured in the same way as in the consolidated financial statements. These assets and liabilities are allocated based on the operations of the segment. The Group's financial assets at fair value through other comprehensive income ("FVOCI"), prepaid income taxes, deferred income tax assets, deferred income tax liabilities and current income tax liabilities are not directly attributable to segments.

The segment assets and liabilities of the Group as at 31 December 2022 and 2021 are as follows:

	Non-commercial property management and value-added services		Commercial property management and operational services		Total	
	2022	2021	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Segment assets	<b>3,572,655</b>	2,318,404	<b>966,418</b>	877,304	<b>4,539,073</b>	3,195,708
Financial assets at FVOCI					<b>32,156</b>	32,202
Prepaid income taxes					<b>24,097</b>	30,587
Deferred income tax assets					<b>10,858</b>	10,051
<b>Other corporate assets</b>					<b>1,341,662</b>	1,862,900
Total assets					<b>5,947,846</b>	5,131,448
Segment liabilities	<b>1,974,319</b>	1,418,499	<b>475,997</b>	520,019	<b>2,450,316</b>	1,938,518
Deferred income tax liabilities					<b>58,747</b>	53,018
Current income tax liabilities					<b>37,404</b>	46,416
<b>Other corporate liabilities</b>					<b>10,153</b>	3,040
Total liabilities					<b>2,556,620</b>	2,040,992
<b>Capital expenditure</b>	<b>60,033</b>	26,708	<b>32,545</b>	14,618	<b>92,578</b>	41,326

(c) **Geographical distribution**

Revenue from external customers by geographical location is as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Mainland China	<b>2,411,562</b>	1,850,641
Hong Kong	<b>74,643</b>	67,737
	<b><u>2,486,205</u></b>	<b><u>1,918,378</u></b>

Non-current assets (other than financial assets at FVOCI and deferred income tax assets) located by geographical location are as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Mainland China	<b>461,836</b>	418,511
Hong Kong	<b>25,406</b>	29,560
	<b><u>487,242</u></b>	<b><u>448,071</u></b>

(d) **Contract assets**

The Group has recognized the following assets related to contracts with customers:

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b><i>RMB'000</i></b>	<b><i>RMB'000</i></b>
Contract assets relating to construction contracts		
– Related parties	<b>31,906</b>	—
– Third parties	<b>5,907</b>	—
Less: allowance for impairment of contract assets	<b>(295)</b>	—
	<b><u>37,518</u></b>	<b><u>—</u></b>

(i) Significant changes in contract assets

Contract assets have increased as the Group has provided more services ahead of the agreed payment schedules for service contracts. The Group also recognized a loss allowance for contract assets following the adoption of HKFRS 9.

(ii) As at 31 December 2022, the amount of contract assets is expected to be completed within one year (31 December 2021: Nil).

(e) **Contract liabilities**

The Group has recognized the following revenue-related contract liabilities:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Contract liabilities		
– Related parties	31,855	37,217
– Third parties	763,143	547,380
	<u>794,998</u>	<u>584,597</u>
Less: non-current portion of contract liabilities	<u>(439,308)</u>	<u>(425,357)</u>
Current portion of contract liabilities	<u><u>355,690</u></u>	<u><u>159,240</u></u>

(i) Significant changes in contract liabilities

Contract liabilities of the Group mainly arise from advance payments made by customers while the underlying services are yet to be provided. Such liabilities increased as at 31 December 2022 as a result of the growth of the Group's business.

(ii) Revenue recognized in relation to contract liabilities

The following table shows how much of the revenue recognized in the current reporting period relates to carried-forward contract liabilities.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Revenue recognized that was included in the balance of contract liabilities at the beginning of the year</b>		
Non-commercial property management and value-added services	281,494	158,164
Commercial property management and operational services	18,571	5,019
	<u>300,065</u>	<u>163,183</u>

(iii) Unsatisfied long-term decoration services contracts

The following table shows unsatisfied performance obligations resulting from fixed-price decoration services contracts:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Aggregate amount of the transaction price allocated to long-term decoration services contracts that are partially or fully unsatisfied as at 31 December	<u>539,526</u>	<u>425,357</u>

Management expects that 19% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2022 will be recognized as revenue during the next reporting period (RMB100,218,000). The remaining 81% (RMB439,308,000) will be recognized in the 2024 financial year. The amount disclosed above does not include variable consideration which is constrained.

All other decoration services contracts are for periods of one year or less or are billed based on time incurred. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.



**(f) Unsatisfied performance obligations**

For non-commercial property management services, value-added services to non-property owners and commercial property management and operational services, the Group recognizes 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, on a monthly or quarterly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligations for those types of contracts. The majority of the property management services contracts do not have a fixed term. The term of the contracts with non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services except for decoration services that are rendered in short period of time, which is generally less than a year, the Group has elected the practical expedient for not to disclose the remaining performance obligations for these types of contracts.

**(g) Assets recognized from incremental costs to obtain a contract**

During the years ended 31 December 2022 and 2021, there was no significant incremental costs to obtain a contract.

#### 4 Expenses by nature

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Employee benefit expenses	<b>938,048</b>	698,346
Gardening and cleaning	<b>259,345</b>	124,198
Subcontractor costs for decoration and other services	<b>226,950</b>	117,302
Maintenance costs	<b>114,886</b>	87,486
Cost of goods sold	<b>91,321</b>	32,167
Depreciation and amortization charges (Note 11, Note 12 and Note 13)	<b>78,962</b>	76,312
Commission fees	<b>74,122</b>	71,612
Utilities	<b>57,975</b>	54,223
Short-term lease payments	<b>43,681</b>	29,589
Cost of consumables	<b>38,675</b>	27,583
Consultancy fees	<b>27,676</b>	14,473
Promotion and advertising	<b>17,981</b>	16,694
Taxes and other levies expenses	<b>14,656</b>	15,055
Office expenses	<b>12,202</b>	9,791
Travelling and entertainment expenses	<b>8,431</b>	7,103
Bank charges	<b>4,009</b>	4,030
Auditors' remuneration	<b>2,850</b>	2,900
– Audit services	<b>1,850</b>	1,800
– Non-audit services	<b>1,000</b>	1,100
Listing expenses	—	19,766
Others	<b>5,922</b>	369
	<b>2,017,692</b>	1,408,999
	<b>2,017,692</b>	1,408,999

## 5 Other income

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Additional input value-added tax deduction ( <i>Note (a)</i> )	<b>10,365</b>	9,458
Government grants ( <i>Note (b)</i> )	<b>10,191</b>	3,056
Penalty income	<b>3,613</b>	1,497
Dividends income from financial assets at FVOCI	<b>680</b>	—
	<b>24,849</b>	14,011
	<b>24,849</b>	14,011

(a) The amounts represent additional deduction of value-added tax applicable to certain subsidiaries of the Group providing property management services and value-added services which are related to living services since April 2019.

(b) Government grants mainly contain subsidies granted for job stabilization to the Group and special funds for industrial development. There are no unfulfilled conditions or other contingencies attached to these grants.

## 6 Other gains/(losses) – net

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Net foreign exchange gains/(losses)	<b>13,853</b>	(15,839)
Losses on disposal of property, plant and equipment	<b>(32)</b>	(140)
Others	<b>586</b>	(46)
	<b>14,407</b>	(16,025)
	<b>14,407</b>	(16,025)

7 **Finance income - net**

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Finance income</b>		
Interests income from bank deposits	<u>74,813</u>	<u>23,817</u>
<b>Finance costs</b>		
Interest expense of lease liabilities	(3,140)	(3,340)
Interest expense of amount due to a related party	<u>—</u>	<u>(81)</u>
	<u>(3,140)</u>	<u>(3,421)</u>
<b>Finance income – net</b>	<u><b>71,673</b></u>	<u><b>20,396</b></u>

8 **Income tax expense**

	<b>Year ended 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Current taxation</b>		
Current income tax	134,450	138,074
Corporate withholding income tax	12,131	—
<b>Deferred taxation</b>		
Deferred income tax	(1,162)	(2,240)
Corporate withholding income tax on undistributed profits	<u>6,145</u>	<u>18,687</u>
	<u><b>151,564</b></u>	<u><b>154,521</b></u>

The tax on the Group's profit before income tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the Group entities as follows:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	RMB'000
Profit before income tax	<b>575,982</b>	524,257
Tax calculated at applicable corporate income tax rate	<b>143,996</b>	133,334
– Effect of different tax rates applicable to certain subsidiaries	<b>(7,576)</b>	(3,780)
– Income not subject to tax	<b>(3,687)</b>	—
– Expenses not deductible for tax purposes	<b>596</b>	1,120
– Additional deduction for tax incentives	—	(63)
– Tax losses and deductible temporary differences for which no deferred income tax asset was recognized	<b>681</b>	5,331
– Utilization of previously unrecognized tax losses	<b>(693)</b>	(61)
– Share of results of a joint venture	<b>(29)</b>	(47)
– Corporate withholding income tax	<b>18,276</b>	18,687
Income tax expense	<b><u>151,564</u></b>	<b><u>154,521</u></b>

### **Hong Kong profit tax**

On 21 March 2018, the Hong Kong Legislative Council passed the Inland Revenue (Amendment) (No. 7) Bill 2017 (the “**Bill**”) which introduces the two-tiered profits tax rates regime. The Bill was signed into law on 28 March 2018 and was gazetted on the following day. Under the two-tiered profits tax regime, the first HKD2 million of profits of qualifying corporations will be taxed at 8.25%, and profits above HKD2 million will be taxed at 16.5%.

The two-tiered profits tax regime was applicable to certain Group companies incorporated in Hong Kong during the years ended 31 December 2022 and 2021.

## PRC corporate income tax

Income tax provision of the Group in respect of operations in Mainland China has been calculated at the applicable tax rate on the estimated assessable profits for the years, based on the existing legislation, interpretations and practices in respect thereof.

The general enterprise income tax rate in the PRC is 25%. Certain operations of the Group in the PRC were qualified as “Small Low-Profit Enterprise” and taxed at the reduced tax rate of 20% from 1 January 2008. During the year ended 31 December 2022, the “Small Low-Profit Enterprise” whose taxable income less than RMB3 million enjoy the preferential income tax treatment with the income tax rate of 20% and are eligible to have their tax calculated based on 12.5% or 50% of their taxable income.

According to the new Enterprise Income Tax Law of the PRC, starting from 1 January 2008, a 10% withholding tax will be levied on the immediate holding companies outside the PRC when their PRC subsidiaries declare dividend out of profits earned after 1 January 2008. A lower 5% withholding tax rate may be applied when the Hong Kong holding companies satisfied the requirements of the tax treaty arrangements between the PRC and Hong Kong.

Guangzhou Yueguan Intelligent Technology Co., Ltd. (“**Yueguan Intelligent**”) is qualified as a “High and New Technology Enterprise” in 2019. It is subject to a reduced preferential enterprise income tax rate of 15% since 1 January 2019. On 12 December 2022, the filing of Yueguan Intelligent renewal of the High and New Technology Enterprise qualification for another 3 years starting from 1 January 2022 was completed.

## 9 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company by the weighted average number of ordinary shares during the years ended 31 December 2022 and 2021.

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit attributable to owners of the Company	<b>416,099</b>	359,536
Weighted average number of ordinary shares (in thousands)	<b>1,522,030</b>	1,308,445
Basic and diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share)	<b>0.27</b>	0.27

## 10 Dividends

The dividends declared and paid in 2022 were RMB132,766,000 (2021: Nil). The directors proposed a final dividend of HKD0.109 per ordinary share, totaling approximately RMB146 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 17 May 2023. These financial statements do not reflect this dividend payable.

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b>RMB'000</b>	<b>RMB'000</b>
Final, proposed, of HKD0.109 equivalent to RMB0.096 (2021: HKD0.102 equivalent to RMB0.083) per ordinary share	145,635	132,766
	<u>145,635</u>	<u>132,766</u>

## 11 Property, plant and equipment

	Buildings	Furniture, fixtures and equipment	Leasehold improvements	Vehicles	Construction in progress	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Year ended 31 December 2021</b>						
Opening net book amount	4,896	32,338	2,277	1,189	384	41,084
Additions	—	5,378	1,137	228	7,505	14,248
Transfer	—	7,155	—	—	(7,155)	—
Disposals	—	(955)	—	(37)	—	(992)
Depreciation charge (Note 4)	(397)	(11,932)	(2,344)	(230)	—	(14,903)
<b>Closing net book amount</b>	<u>4,499</u>	<u>31,984</u>	<u>1,070</u>	<u>1,150</u>	<u>734</u>	<u>39,437</u>
<b>As at 31 December 2021</b>						
Cost	6,071	69,425	8,427	6,206	734	90,863
Accumulated depreciation	(1,572)	(37,441)	(7,357)	(5,056)	—	(51,426)
<b>Net book amount</b>	<u>4,499</u>	<u>31,984</u>	<u>1,070</u>	<u>1,150</u>	<u>734</u>	<u>39,437</u>

	Buildings <i>RMB'000</i>	Furniture, fixtures and equipment <i>RMB'000</i>	Leasehold improvements <i>RMB'000</i>	Vehicles <i>RMB'000</i>	Construction in progress <i>RMB'000</i>	Total <i>RMB'000</i>
<b>Year ended 31 December 2022</b>						
Opening net book amount	4,499	31,984	1,070	1,150	734	39,437
Additions	—	15,133	477	424	—	16,034
Acquisition of a subsidiary	—	102	—	—	—	102
Disposals	—	(1,975)	(57)	(97)	(734)	(2,863)
Depreciation charge (Note 4)	(190)	(14,803)	(871)	(331)	—	(16,195)
<b>Closing net book amount</b>	<b><u>4,309</u></b>	<b><u>30,441</u></b>	<b><u>619</u></b>	<b><u>1,146</u></b>	<b><u>—</u></b>	<b><u>36,515</u></b>
<b>As at 31 December 2022</b>						
Cost	6,071	77,825	8,847	4,783	—	97,526
Accumulated depreciation	(1,762)	(47,384)	(8,228)	(3,637)	—	(61,011)
<b>Net book amount</b>	<b><u>4,309</u></b>	<b><u>30,441</u></b>	<b><u>619</u></b>	<b><u>1,146</u></b>	<b><u>—</u></b>	<b><u>36,515</u></b>

Depreciation expenses were charged to the following categories in the consolidated income statement:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of sales	<b>14,000</b>	13,266
Administrative expenses	<b>2,195</b>	1,637
	<b><u>16,195</u></b>	<u>14,903</u>

- (a) No property, plant and equipment was restricted or pledged as security for liabilities as at 31 December 2022 and 2021.



## 12 Intangible assets

	<b>Goodwill</b> <i>RMB'000</i>	<b>Customer relationships</b> <i>RMB'000</i>	<b>Computer software</b> <i>RMB'000</i>	<b>Total</b> <i>RMB'000</i>
<b>Year ended 31 December 2021</b>				
Opening net book amount	248,344	91,588	3,976	343,908
Additions	4,988	—	8,947	13,935
Amortization (Note 4)	—	(9,413)	(2,547)	(11,960)
<b>Closing net book amount</b>	<u>253,332</u>	<u>82,175</u>	<u>10,376</u>	<u>345,883</u>
<b>As at 31 December 2021</b>				
Cost	253,332	92,372	18,805	364,509
Accumulated amortization	—	(10,197)	(8,429)	(18,626)
<b>Net book amount</b>	<u>253,332</u>	<u>82,175</u>	<u>10,376</u>	<u>345,883</u>
<b>Year ended 31 December 2022</b>				
Opening net book amount	<b>253,332</b>	<b>82,175</b>	<b>10,376</b>	<b>345,883</b>
Additions	—	—	<b>4,094</b>	<b>4,094</b>
Acquisition of a subsidiary	<b>7,076</b>	—	<b>104</b>	<b>7,180</b>
Amortization (Note 4)	—	(9,413)	(3,491)	(12,904)
<b>Closing net book amount</b>	<u>260,408</u>	<u>72,762</u>	<u>11,083</u>	<u>344,253</u>
<b>As at 31 December 2022</b>				
Cost	<b>260,408</b>	<b>92,372</b>	<b>23,003</b>	<b>375,783</b>
Accumulated amortization	—	(19,610)	(11,920)	(31,530)
<b>Net book amount</b>	<u>260,408</u>	<u>72,762</u>	<u>11,083</u>	<u>344,253</u>

Amortization of intangible assets has been charged to the following categories in the consolidated income statement:

	<b>Year ended 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Cost of sales	<u>12,904</u>	<u>11,960</u>

### 13 Leases

- (i) Amounts recognized in the consolidated balance sheet are as follows:

#### Right-of-use assets

	<b>Properties</b> <i>RMB'000</i>
<b>Year ended 31 December 2021</b>	
Opening net book amount	100,017
Additions	18,131
Termination	(14,892)
Depreciation charge (Note 4)	<u>(49,449)</u>
<b>Closing net book amount</b>	<u>53,807</u>
<b>As at 31 December 2021</b>	
Cost	212,164
Accumulated depreciation	<u>(158,357)</u>
<b>Net book amount</b>	<u><u>53,807</u></u>
<b>Year ended 31 December 2022</b>	
Opening net book amount	53,807
Additions	72,450
Depreciation charge (Note 4)	<u>(49,863)</u>
<b>Closing net book amount</b>	<u>76,394</u>
<b>As at 31 December 2022</b>	
Cost	250,935
Accumulated depreciation	<u>(174,541)</u>
<b>Net book amount</b>	<u><u>76,394</u></u>

## Lease liabilities

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Lease liabilities		
Current	<b>40,774</b>	35,494
Non-current	<b>38,062</b>	19,529
	<b><u>78,836</u></b>	<b><u>55,023</u></b>

(ii) Amounts recognized in the consolidated income statement are as follows:

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Depreciation charge of right-of-use assets (Note 4)	<b>49,863</b>	49,449
Interest expense (included in finance cost) (Note 7)	<b>3,140</b>	3,340
Expenses relating to short-term leases (included in cost of sales and administrative expenses) (Note 4)	<b>43,681</b>	29,589
	<b><u>43,681</u></b>	<b><u>29,589</u></b>

(iii) The Group's leasing activities and how these are accounted for

The Group mainly leases various offices, parking lots and dormitories. Rental contracts are typically made for fixed periods of 3 months to 6 years.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessors. Leased assets may not be used as security for borrowing purposes.

## 14 Trade and other receivables and prepayments

	As at 31 December	
	2022	2021
	RMB'000	RMB'000
Trade receivables ( <i>Note (a)</i> )		
– Related parties	465,515	437,925
– Third parties	169,358	108,607
	<u>634,873</u>	<u>546,532</u>
Less: allowance for impairment of trade receivables	(31,313)	(29,488)
	<u>603,560</u>	<u>517,044</u>
Other receivables		
– Property management costs recoverable from third parties ( <i>Note (b)</i> )	62,966	55,169
– Property management costs recoverable from related parties ( <i>Note (b)</i> )	53,600	26,583
– Payments on behalf of third-party residents and tenants ( <i>Note (c)</i> )	86,249	73,773
– Guarantee deposits paid to related parties ( <i>Note (d)</i> )	27,144	21,553
– Guarantee deposits paid to third parties ( <i>Note (d)</i> )	34,636	23,349
– Others		
– Related parties	43,182	25,360
– Third parties	38,663	39,266
	<u>346,440</u>	<u>265,053</u>
Less: allowance for impairment of other receivables	(9,927)	(8,471)
	<u>336,513</u>	<u>256,582</u>
Prepayments		
– Related parties	601	—
– Third parties	23,846	7,236
	<u>24,447</u>	<u>7,236</u>
Other prepaid taxes	20,257	14,480
	<u>20,257</u>	<u>14,480</u>
<b>Total</b>	<b><u>984,777</u></b>	<b><u>795,342</u></b>

- (a) Trade receivables mainly arise from property management services.

Non-commercial property management and value-added services income and commercial property management and operational service income under lump sum basis are received in accordance with the terms of the relevant services agreements. Service income from property management services is due for payment by property owners and tenants upon the issuance of demand notes.

As at 31 December 2022 and 2021, the ageing analysis of the trade receivables based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0-30 days	<b>272,534</b>	221,317
31-180 days	<b>229,627</b>	205,092
181-365 days	<b>64,069</b>	70,471
1 to 2 years	<b>41,807</b>	17,808
2 to 3 years	<b>7,611</b>	9,643
Over 3 years	<b>19,225</b>	22,201
	<b><u>634,873</u></b>	<u>546,532</u>

As at 31 December 2022, a provision of RMB31,313,000 (2021: RMB29,488,000) was made against the gross amounts of trade receivables.

- (b) The amounts mainly represent costs incurred in relation to property management service provided under commission basis which could be recovered from property owners and tenants.
- (c) The amounts represent payments of utility charges on behalf of third-party property owners and tenants.
- (d) The amounts mainly represent performance guarantee deposits paid to property owners for the provision of property management services.
- (e) As at 31 December 2022 and 2021, trade and other receivables were mainly denominated in RMB and the fair value of trade and other receivables approximated their carrying amounts.

## 15 Share capital

	Number of shares 31 December 2022	Number of shares 31 December 2021	Share capital 31 December 2022 <i>RMB'000</i>	Share capital 31 December 2021 <i>RMB'000</i>
Issued and fully paid	<u>1,522,030,177</u>	<u>1,522,030,177</u>	<u>2,543,048</u>	<u>2,543,048</u>

## 16 Reserves and retained earnings

	Statutory reserves <i>RMB'000</i>	Other reserves <i>RMB'000</i>	Total other reserves <i>RMB'000</i>	Retained earnings <i>RMB'000</i>
As at 1 January 2021	23,962	(390,308)	(366,346)	399,953
Profit for the year	—	—	—	359,536
Appropriation of statutory reserves (Note (a))	3,914	—	3,914	(3,914)
Changes in fair value of financial assets at FVOCI, net of tax	—	(1,972)	(1,972)	—
Exchange differences on translation of foreign operations	—	(2,450)	(2,450)	—
<b>As at 31 December 2021</b>	<u>27,876</u>	<u>(394,730)</u>	<u>(366,854)</u>	<u>755,575</u>
As at 1 January 2022	27,876	(394,730)	(366,854)	755,575
Profit for the year	—	—	—	416,099
Appropriation of statutory reserves (Note (a))	26,872	—	26,872	(26,872)
Changes in fair value of financial assets at FVOCI, net of tax	—	15	15	—
Exchange differences on translation of foreign operations	—	7,448	7,448	—
Dividend provided for and paid	—	—	—	(132,766)
<b>As at 31 December 2022</b>	<u>54,748</u>	<u>(387,267)</u>	<u>(332,519)</u>	<u>1,012,036</u>

(a) Statutory reserves

In accordance with relevant rules and regulations in the PRC, companies incorporated in the PRC are required to transfer no less than 10% of their profit after taxation calculated under the PRC accounting standards and regulations to the statutory reserve fund before distribution of profit after income tax, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset previous years' losses or to increase the capital of respective companies.

**17 Trade and other payables**

	<b>As at 31 December</b>	
	<b>2022</b>	<b>2021</b>
	<b>RMB'000</b>	<b>RMB'000</b>
Trade payables ( <i>Note (a)</i> )		
– Related parties	<b>23,315</b>	13,783
– Third parties	<b>329,792</b>	152,795
	<b>353,107</b>	166,578
Other payables		
– Advances for property management services from related parties ( <i>Note (b)</i> )	<b>48,415</b>	62,378
– Advances for property management services from third parties ( <i>Note (b)</i> )	<b>252,619</b>	257,626
– Guarantee deposits received from related parties ( <i>Note (c)</i> )	<b>86,313</b>	61,142
– Guarantee deposits received from third parties ( <i>Note (c)</i> )	<b>298,305</b>	268,955
– Receipts on behalf of residents or tenants from related parties ( <i>Note (d)</i> )	<b>4,076</b>	2,158
– Receipts on behalf of residents or tenants from third parties ( <i>Note (d)</i> )	<b>144,202</b>	155,823
– Dividend payables	—	1,560
– Accrued expenses to third parties	<b>91,649</b>	72,374
– Accrued expenses to related parties	<b>1,060</b>	160
– Accrued payroll liabilities	<b>201,965</b>	148,245
– Other tax payables and others	<b>104,924</b>	104,939
	<b>1,233,528</b>	1,135,360
Trade and other payables	<b>1,586,635</b>	1,301,938

- (a) As at 31 December 2022 and 2021, the ageing analysis of the trade payables based on invoice date is as follows:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Up to 1 year	<b>331,270</b>	146,473
1 to 2 years	<b>4,140</b>	4,389
2 to 3 years	<b>3,524</b>	4,511
Over 3 years	<b>14,173</b>	11,205
	<b><u>353,107</u></b>	<u>166,578</u>

- (b) The amounts represent advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under commission basis.
- (c) The amounts mainly represent performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants.
- (d) The amounts mainly represent advances received from property owners and tenants for settlement of their utility charges.
- (e) As at 31 December 2022 and 2021, trade and other payables were denominated in the following currencies:

	<b>As at 31 December</b>	
	<b>2022</b>	2021
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
RMB	<b>1,584,965</b>	1,298,656
HKD	<b>1,670</b>	3,282
	<b><u>1,586,635</u></b>	<u>1,301,938</u>

- (f) As at 31 December 2022, the carrying amounts of trade and other payables approximated their fair values.



## CHAIRMAN’S STATEMENT

**Dear Shareholders,**

2022 marked the 30th anniversary of the establishment of the Group. Over the past 30 years, the Group has been focusing on improving the quality of life for customers by providing professional and dedicated property management services.

### INDUSTRY REVIEW

In 2022, the global economy was overshadowed by the risks of high inflation and recession. The business environment of the property management industry was challenging due to the pressure of China’s economic downturn, the spread of the COVID-19 pandemic across the country, and the exacerbated credit risks of some property developers in the PRC. Growth in property management companies’ operating results decelerated from the previous rapid increase while their property management operation scale and profit growth rate declined. However, opportunities came amid challenges. In late 2022, the regulatory authorities in the PRC relaxed the relevant requirements to enable property developers to obtain liquidity support such as bank loans, bond financing and equity financing, so as to promote the stable and healthy development of the property market, stabilise the overall economic and social development, and drive the recovery of the property management industry.

Furthermore, as property management services are closely related to people’s livelihood, the PRC government has continuously introduced policies and guidance to standardise the industry, and encouraged the development of community value-added services, which has further created a broader development space for the industry. In early 2022, the General Office of the State Council issued the “14th Five-year Plan for the Construction of Urban and Rural Community Service System” (the “**Plan**”), which advocated the 15-minute urban community life circles. The Plan proposed channeling the resources of both the market and the society to the development of community services, such as childcare and elderly care, and encouraged

the development of property management services and other living services such as home maintenance, housekeeping, catering, retail, hairdressing and beauty treatment. The Plan also encouraged the introduction of professional property management services.

While focusing on raising the quality of service, property management companies have also stepped up their efforts to enrich service offerings, extend service scopes, participate in urban construction and community developments, and improve the overall operational efficiency.

## **BUSINESS REVIEW**

### **Steady growth in operating results**

In 2022, the Group continued to improve its service quality to meet customers' rising demands. The Group sought business development opportunities that were aligned with its key focuses of “reinforcing the management, enhancing capabilities and raising quality” and its business strategies of “improving core property management services, enhancing value-added services, and expanding business actively” and achieved steady growth in operating results.

In 2022, the Group recorded a revenue of RMB2,486.2 million, representing an increase of 29.6% compared to the year ended 31 December 2021 (the “**Previous Year**”). Gross profit margin was 27.3% for the Year. Profit attributable to owners of the Company for the Year was RMB416.1 million, representing a year-on-year increase of 15.7%. The Board has proposed to declare a final dividend of HK\$0.109 per share of the Company (“**Share**”) (equivalent to RMB0.096 per Share) for the Year.

### **Enhancing property management services' quality and capabilities**

Property management companies operate under the fundamental principles of providing high-quality services, maintaining good reputation and enhancing professional image.

In 2022, the Group continued to invest in enhancing its property management services' quality and capabilities, while differentiating its services based on pricing, service scope and service settings. The Group launched three classes of residential property management product lines namely "Zhenyue (臻越)", "Boyue (鉞越)" and "Xiangyue (享越)" to provide professional, refined and personalised services:

- (i) "Zhenyue" series focuses on high-end and ultra-high-end service products.
- (ii) "Boyue" series focuses on mid-end service products.
- (iii) "Xiangyue" series focuses on basic service products.

These product lines meet the needs of different property owners for quality living, and enhance the Group's property management services' quality and capabilities.

For commercial property management, the Group continued to enhance its capabilities for providing professional commercial operation services for high-end office buildings. In 2022, the Group continued to focus on customer needs, and diversified its value-added service offerings by launching office environment management, equipment and facility maintenance, safety management, administration and logistics and other services to improve customer satisfaction and experience.

The Group has also established a quality supervision system to strengthen the on-site supervision and intelligent monitoring of its services. It also received and addressed customers' requests through diversified communications channels. According to a survey by a third-party research institution, the overall residential customers' satisfaction score significantly improved to 92.1 and the overall commercial property customers' satisfaction score was 97.6.

In 2022, the Group was accredited by China Index Academy and ranked 14th amongst the Top 100 Property Management Companies in China for 2022 (2022中國物業服務百強企業第14位)", 10th amongst China's Listed Property Management Companies in terms of Comprehensive Strength for 2022 (2022中國物業服務上市公司綜合實力第10位)", and "7th amongst China's Exceptional Property Management Companies in terms of ESG Development for 2022 (2022中國物業服務ESG發展優秀企業第7位)". The Company was also admitted as a constituent stock of the MSCI China Small Cap Index in May 2022.

## **Enhancing investment and business development capabilities to facilitate investments and market developments**

In 2022, the Group comprehensively reorganised its management system for investments and business developments. By doing so, the Group has been able to identify the strategic direction for selecting cities and business types before investments and optimise the project incentive mechanisms; strictly implement the project quality management during investments to ensure profitability of projects; and improve the closed-loop management of the project management system after investments to facilitate high-quality and large-scale market expansions.

The Group continues to leverage its expertise in transit-oriented development (“**TOD**”) property management and successfully won bids for TOD property management services of Line 2 of Fuzhou Metro, Line 6 of Changsha Metro, Line 4 of Qingdao Metro and Line 1 of Lijiang Metro in the Year. These successful bids were a breakthrough for the Group, by expanding the market coverage of its TOD property management business beyond Guangzhou and consolidating the foundation for the market-oriented development of its TOD property management business on a large scale. The Group also won bids for the property management services of the new Guangzhou Cultural & Arts Centre, Yantai Xihai Hospital and other projects, thus further expanding its presence in the property management services market of public premises, hospitals and other types of facilities, and enhancing its capabilities to serve different market segments of diverse sectors.

In 2022, the Group entered into contracts for 84 new projects with new contracted gross floor area (“**GFA**”) of 13.1 million sq.m., setting foot in new cities such as Tianjin, Kunming, Fuzhou, Nanning and Lijiang to further refine its business presence in core areas and improving management intensity. In October 2022, the Group completed its first acquisition since its listing by acquiring the entire equity interest in Guangzhou Bingxin Property Management Co., Ltd.\* (廣州市秉信物業管理有限公司), a subsidiary of Guangzhou Chimelong Group Co., Ltd., at a total consideration of RMB9.5 million, and thus acquired new contracted GFA of approximately 790,000 sq.m..

As of 31 December 2022, the Group had 323 projects under management with a total GFA under management of 51.7 million sq.m. and was contracted to manage 387 projects with contracted GFA of 70.6 million sq.m.. The Group has built nationwide market coverage with the Guangdong-Hong Kong-Macau Greater Bay Area (the “**Greater Bay Area**”) as its core market and a strong business presence in eastern, central, northern and western China, with contracted projects in 37 cities and Hong Kong.

### **Enhancing value-added services to diversify income sources**

Focusing on its internal resources and competitive strengths, the Group has been further developing five business platforms, including “Home-living services”, “Home decoration”, “Agency”, “Technology” and “Community commercial services”, with the aim of building a comprehensive service ecosystem to meet customers’ needs and provide high-quality value-added services.

For home-living services, in 2022 the Group further enriched the product offering categories for its new retail business, and stepped up promotional activities during major Chinese festivals such as Dragon Boat Festival and Mid-Autumn Festival through both online and offline channels. This effectively boosted sales volumes of the new retail business. Meanwhile, the Group established its own brand of home-living services, “Yuexiu Home-Living Services (越福到家)”, which provided cleaning, housekeeping and home maintenance services to residents, thus further expanding its business of community value-added services.

For agency business, based on the development of its carpark space sales assistance service, the Group acquired the rights-of-use of carpark spaces for trading for the first time, with a view to gaining greater control over the timing and pricing of the sale, thus expanding the Group’s income source and increasing its profits.

The Group has also developed its business in providing intelligent products, video surveillance software system development services and related design and consultancy services for newly developed buildings, as well as promoting integrated solutions for smart buildings.

## **Introducing share option scheme to induce vitality in the Company's development**

In 2022, the Group proposed to adopt a share option scheme (the “**Scheme**”), under which (and subject to the adoption conditions being satisfied):

- (i) share options in aggregate not exceeding 10% of the Shares in issue could be granted;
- (ii) share options in aggregate representing 1% of the Shares in issue were conditionally granted to 39 members of the senior management in and key personnel of business under the initial grant proposal; and
- (iii) following the grant of the share options, the granted share options could be vested in and become exercisable by the grantees only if vesting conditions were satisfied in three tranches for the next three years. The vesting conditions included return on equity attributable to shareholders of the Company (the “**Shareholders**”) after deducting non-recurring gain or loss, growth rate of net profit attributable to Shareholders after deducting non-recurring gain or loss, receivables turnover ratio and the proportion of cash dividend.

The Scheme is conducive to refining the Group's governance structure and enhancing its medium to long-term incentive mechanisms, so as to further motivate the core management and support the Group's long-term development.

The Scheme has been approved by a high majority of the Shareholders at the general meeting held on 15 February 2023 and the initial grant will become effective after obtaining the approval of Guangzhou State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

## **Outlook**

In 2023, and in alignment with the government’s pandemic prevention and control policies, the domestic economy and consumption’s recovery is expected to accelerate, while the property sector is expected to gradually return to orderly development, facilitating property management industry’s transition from the pursuit of rapid growth in scale to high-quality and sustainable developments. It is expected that outstanding property management companies will continue to focus on improving their service quality, increasingly provide value-added services in their existing projects, enhancing their market development capabilities, actively develop their innovative businesses and further accelerate the use of intelligent solutions, in order to gain further advantages and differentiations with market competition.

In 2023 and with its vision of becoming a trusted service company, the Group will press ahead with its strategy of “One Focus, Four Business Types, Four Value-added Services and Five Capabilities (一四四五)”. In addition to focusing on its property management expertise and pursuing excellence in the provision of property management services for property owners and tenants, the Group will also continue to consolidate its position as a professional provider of living services and meet the diversified needs of relevant communities.

### **Consolidating “One Focus” to consistently enhance the service quality**

The Group will continue to implement tailor-made product and service system. To ensure customer satisfaction, the Group will continue to improve its service quality and bring professional and excellent service experience to its customers. Furthermore, the Group will implement service standards, leverage its market leadership in benchmark projects, improve service efficiency and strengthen quality supervision, thereby building up its core competitiveness and its market reputation for distinctive, differentiated and intelligent services.

### **Focusing on the “Four Business Types” to achieve high-quality and large-scale growth**

Focusing on the provision of property management services in four main areas namely residential properties, commercial properties, mass transportation and urban services the Group will leverage its resources and strengths as a state-owned enterprise, optimise its cooperation model, target core cities, plan its strategy to penetrate regional market, refine the system for the collection and management of market information, enhance the post-investment management function, and achieve high-quality growth on a large scale through organic growth, external business expansion and mergers and acquisitions.

### **Strengthening the “Four Value-added Services” and planning for a pattern of industrial developments**

Focusing on the needs of customers, businesses and the government, the Group will continue optimising the coordination of its internal resources, while developing products and services to meet the real needs of customers. The Group will provide asset management and convenient living services to meet customers’ needs; provide space management and logistics services that satisfy the needs of relevant institutions and enterprises as they develop; provide tenant sourcing services and commercial property operation services for businesses that provide amenities for communities; and help develop smart cities and communities through the provision of intelligent home-living services.

### **Enhancing the “Five Capabilities” to improve the quality of operation**

The Group will continue to strengthen its infrastructure and forge ahead with the optimisation of its organisational management, with a view to consistently improving the efficiency and quality of its business operations, by enhancing its capabilities in the following areas:

- (i) investment, market development and post-investment management, with a focus on key cities, business types and projects to promote the city partner mechanism;
- (ii) management of relationships with the supply chain and business partners, so as to integrate quality resources with the aim of pursuing mutual growth and development;



- (iii) establishment, management and operation of digital intelligence management services, in order to enhance its operation capabilities;
- (iv) business management and talent cultivation, in order to optimise the Group’s talent structure, enrich talent reserves and improve its incentive mechanisms; and
- (v) risk management and control, to ensure the stable development of its operations.

While driving high-quality development, the Group also attaches importance to sustainability management. It actively assumes corporate social responsibilities and fulfills its obligations as a state-owned enterprise, seeking to maximize the overall value of the economy, society and environment.

With a long-term perspective and adherence to its business strategies, the Group will continue to enhance both customer satisfaction and brand recognition through high-quality services and products, with the aim of strengthening the Group’s core competitiveness and “becoming a trusted service company”.

### **Acknowledgements**

We would like to express our sincere gratitude to our Shareholders, partners and customers for their support and to all our staff for their hard work and dedication, which have led to the Group’s achievements and development.

**Mr. Lin Feng**

*Chairman of the Board*

Guangzhou, March 2023

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Overview

The Group is one of the leading property management companies in the Greater Bay Area. The Group is committed to providing diversified and integrated services covering various types of properties, including residential properties, shopping malls, office buildings, public facilities, urban railways, metro stations and metro depots. Its major businesses comprise:

- (i) non-commercial property management and value-added services, which consist of property management services, value-added services to non-property owners and community value-added services; and
- (ii) commercial property management and operational services, which consist of commercial operation and management services and market positioning consultancy and tenant sourcing services.

For the Year, the Group's revenue amounted to RMB2,486.2 million, representing an increase of 29.6% as compared to RMB1,918.4 million for the Previous Year. The Group's profit attributable to owners of the Company for the Year was RMB416.1 million, representing an increase of 15.7% as compared to RMB359.5 million for the Previous Year.

As of 31 December 2022, the Group had 323 projects under management with a total GFA under management of 51.7 million sq.m. (31 December 2021: 38.9 million sq.m.), representing a growth of 33.0%; it was contracted to manage 387 projects with a total contracted GFA of 70.6 million sq.m. (31 December 2021: 58.4 million sq.m.), representing a growth of 20.9%. The table below sets forth the movement of the Group's contracted GFA and GFA under management for the years indicated.

**Year ended 31 December**

	2022		2021	
	Contracted GFA <sup>(1)</sup>	GFA under management <sup>(2)</sup>	Contracted GFA	GFA under management
	<i>(sq.m. in thousands)</i>			
As of the beginning of the year	58,384	38,872	49,909	32,648
New engagements	12,300	13,245	10,218	7,967
Acquisitions	787	446	—	—
Terminations	(874)	(874)	(1,743)	(1,743)
<b>As at the end of the year</b>	<b><u>70,597</u></b>	<b><u>51,689</u></b>	<b><u>58,384</u></b>	<b><u>38,872</u></b>

*Notes:*

- (1) *Contracted GFA means gross floor area currently being managed or to be managed by the Group under signed property management service contracts.*
- (2) *GFA under management means gross floor area currently being managed by the Group under signed property management service contracts.*

As of 31 December 2022, projects contracted to be managed by the Group covered 37 cities in the PRC and Hong Kong. The table below sets forth a geographical breakdown of the Group's contracted GFA and GFA under management as of the dates indicated.

	<b>As of 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<b>Contracted GFA</b>	<b>GFA under management</b>	Contracted GFA	GFA under management
	<i>(sq.m. in thousands)</i>			
Greater Bay Area	<b>44,946</b>	<b>32,316</b>	40,961	28,513
East China Region	<b>9,111</b>	<b>7,848</b>	6,116	4,225
Central China Region	<b>8,039</b>	<b>5,592</b>	5,765	2,587
North China Region	<b>5,098</b>	<b>3,786</b>	4,612	3,184
Southwest China Region	<b>3,403</b>	<b>2,147</b>	930	363
<b>Total</b>	<b><u>70,597</u></b>	<b><u>51,689</u></b>	<b><u>58,384</u></b>	<b><u>38,872</u></b>

***Non-commercial property management and value-added services***

The Group provides a wide spectrum of property management services and value-added services to non-commercial properties, which primarily comprise residential properties, TOD properties, public premises and industrial parks. In particular, it offers:

- **Property management services.** The Group provides cleaning, security, gardening and repair and maintenance services to property owners, property owners' associations and/or residents for properties sold and delivered, and to property developers for pre-delivery stage of residential properties.

- **Value-added services to non-property owners.** The Group provides value-added services to non-property owners, which include: (i) sales office and display unit management and pre-delivery support services; (ii) carpark space sales assistance services; (iii) ancillary property leasing services; and (iv) preliminary planning and design consultancy services and intelligent services.
- **Community value-added services.** The Group provides community value-added services to meet the needs of property owners and residents of residential properties under its management. Such services include: (i) home-living services; (ii) space operation services; and (iii) decoration, turnkey and move-in furnishing services.

As of 31 December 2022, the Group had 269 non-commercial projects of a GFA under management of 47.6 million sq.m. (31 December 2021: 35.6 million sq.m.), representing a year-on-year growth of 33.7%. For the Year, the average management fee of residential properties was RMB2.7/sq.m./month (Previous Year: RMB2.8/sq.m./month).

During the Year, the Group achieved various successes in its TOD property management business. In the first half of 2022, the Group successfully won the bids for property management services for Line 2 of Fuzhou Metro and Line 6 of Changsha Metro. The Group also successfully won the bids for property management services for Line 4 of Qingdao Metro and Line 1 of Lijiang Metro in July and October 2022, respectively, laying a solid foundation for realising its national layout of TOD property management business.

## **Commercial property management and operational services**

The Group provides property management and operational services to commercial properties, which primarily comprise office buildings, shopping malls and wholesale markets. In particular, it offers:

- **Commercial operation and management services.** The Group provides commercial operation and management services to property owners, developers and tenants, which mainly consist of commercial property management services and other value-added services such as carpark management and operation services and space operation services (including advertising space leasing and common area leasing services).
- **Market positioning consultancy and tenant sourcing services.** The Group provides market positioning consultancy and tenant sourcing services to property developers and property owners, including market positioning and management consultancy services and tenant sourcing services.

As of 31 December 2022, the Group had 54 commercial projects of a GFA under management of 4.1 million sq.m. (31 December 2021: 3.3 million sq.m.), representing a year-on-year growth of 25.5%. For the Year, the average management fees of office buildings and shopping malls were RMB21.0/sq.m./month (Previous Year: RMB22.3/sq.m./month) and RMB37.0/sq.m./month (Previous Year: RMB36.8/sq.m./month), respectively.

## FINANCIAL REVIEW

### Revenue

For the Year, the Group's revenue amounted to RMB2,486.2 million (Previous Year: RMB1,918.4 million), representing a year-on-year increase of 29.6%. The Group's revenue was derived from its two major business segments:

- (i) non-commercial property management and value-added services; and
- (ii) commercial property management and operational services.

The increase in the Group's total revenue for the Year was mainly due to increases in revenue from both business segments as detailed below.

The table below sets forth a breakdown of the Group's revenue by business segment for the years indicated.

	Year ended 31 December			
	2022		2021	
	<i>RMB'000</i>	<i>%</i>	<i>RMB'000</i>	<i>%</i>
Non-commercial				
property management and				
value-added services	<b>1,941,105</b>	<b>78.1</b>	1,425,142	74.3
Commercial property management				
and operational services	<b>545,100</b>	<b>21.9</b>	493,236	25.7
<b>Total</b>	<b><u>2,486,205</u></b>	<b><u>100.0</u></b>	<b><u>1,918,378</u></b>	<b><u>100.0</u></b>

The table below sets forth the breakdown of the Group’s revenue by type of ultimate paying customer for the years indicated.

	Year ended 31 December			
	2022		2021	
	<i>RMB’000</i>	<i>%</i>	<i>RMB’000</i>	<i>%</i>
GZYG, Yuexiu Property and their respective joint ventures, associates or other related parties <sup>(1)</sup>	<b>1,041,609</b>	<b>41.9</b>	802,832	41.8
Independent third parties <sup>(2)</sup>	<b>1,444,596</b>	<b>58.1</b>	1,115,546	58.2
<b>Total</b>	<b><u>2,486,205</u></b>	<b><u>100.0</u></b>	<b><u>1,918,378</u></b>	<b><u>100.0</u></b>

Notes:

- (1) *Comprises Guangzhou Yue Xiu Holdings Limited\* (廣州越秀集團股份有限公司) (“GZYX”), Yuexiu Property Company Limited (Stock code: 123) (“Yuexiu Property”), both being the controlling shareholders (as defined in the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”)) of the Company, and their respective joint ventures, associates or other related parties.*
- (2) *Comprises entity or person who is not a connected person of the Company as defined in the Listing Rules (“Independent Third Parties”).*



During the Year, the Group generally provided property management services to Independent Third Party customers who are property owners, residents, tenants, property owners' associations and property developers after the delivery of properties by property developers which were GZYY and Yuexiu Property and their respective joint ventures, associates or other related parties or Independent Third Parties. During the Year, the Group's revenue received from GZYY, Yuexiu Property and their respective joint ventures, associates or other related parties amounted to RMB1,041.6 million, representing an increase by RMB238.8 million or 29.7% as compared to RMB802.8 million for the Previous Year. Such increase was mainly attributable to Yuexiu Property's business expansion and its continued engagement of the Group's services.

The table below sets forth the geographical breakdown of the Group's revenue for the years indicated.

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
PRC	<b>2,411,562</b>	<b>97.0</b>	1,850,641	96.5
Hong Kong, PRC	<b>74,643</b>	<b>3.0</b>	67,737	3.5
<b>Total</b>	<b><u>2,486,205</u></b>	<b><u>100.0</u></b>	<b><u>1,918,378</u></b>	<b><u>100.0</u></b>

***(I) Non-commercial property management and value-added services***

For the Year, revenue from non-commercial property management and value-added services amounted to RMB1,941.1 million (Previous Year: RMB1,425.1 million), representing a year-on-year increase of 36.2%. The increase was mainly attributable to the following factors:

- (i) the increase in the number of non-commercial projects under its management to 269 from 209 and the GFA under management to 47.6 million sq.m. from 35.6 million sq.m., respectively as of 31 December 2022 as compared to 31 December 2021;
- (ii) revenue from value-added services to non-property owners increased from RMB340.6 million for the Previous Year to RMB479.4 million for the Year, representing an increase of 40.8%. Such increase was mainly attributable to the business growth of property developers, the increase in revenue from preliminary planning and design consultancy services; and the introduction of intelligent services in the second half of 2022; and
- (iii) revenue from community value-added services increased from RMB442.0 million for the Previous Year to RMB650.0 million for the Year, representing an increase of 47.1% and making it the fastest-growing business of the Group. Such increase was mainly attributable to the increase in GFA under management of non-commercial properties, an increase in customer base and the diversification of home-living services offered.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
Property management services	<b>811,692</b>	<b>41.8</b>	642,525	45.1
Value-added services to non-property owners	<b>479,370</b>	<b>24.7</b>	340,577	23.9
Community value-added services	<b>650,043</b>	<b>33.5</b>	442,040	31.0
<b>Total</b>	<b><u>1,941,105</u></b>	<b><u>100.0</u></b>	<b><u>1,425,142</u></b>	<b><u>100.0</u></b>

***(II) Commercial property management and operational services***

For the Year, revenue from commercial property management and operational services amounted to RMB545.1 million (Previous Year: RMB493.2 million), representing a year-on-year increase of 10.5%. The increase was mainly attributable to the following factors:

- (i) the increase in number of commercial projects under its management to 54 from 42 and the GFA under management to 4.1 million sq.m. from 3.3 million sq.m., respectively, as of 31 December 2022 as compared to 31 December 2021, resulting in an increase in revenue from property management services to commercial properties; and
- (ii) the additional provision of marketing positioning service and management and consultancy services to a number of new projects during the Year, resulting in an increase in revenue from marketing positioning, consultancy and tenant sourcing services.

The table below sets forth the breakdown of the Group's revenue from this business segment by type of services for the years indicated.

	<b>Year ended 31 December</b>			
	<b>2022</b>		<b>2021</b>	
	<i><b>RMB'000</b></i>	<i><b>%</b></i>	<i><b>RMB'000</b></i>	<i><b>%</b></i>
Commercial operation and management services	<b>423,475</b>	<b>77.7</b>	382,672	77.6
Market positioning, consultancy and tenant sourcing service	<b>121,625</b>	<b>22.3</b>	110,564	22.4
<b>Total</b>	<b><u>545,100</u></b>	<b><u>100.0</u></b>	<b><u>493,236</u></b>	<b><u>100.0</u></b>

#### **Cost of sales**

The Group's cost of sales represent costs and expenses directly attributable to the provision of its services, which mainly comprises staff costs, subcontracting costs, depreciation and amortisation and maintenance. For the Year, the Group's cost of sales was RMB1,806.8 million (Previous Year: RMB1,247.5 million), representing a year-on-year increase of 44.8%. The increase in cost of sales was attributable to:

- (i) expansion of the GFA under management and business scale during the Year, together with an increase in various types of costs; and
- (ii) customers' demands and expectations for better service quality due to the spread and fluctuation of the pandemic.

For the Year, staff costs amounted to RMB776.5 million (Previous Year: RMB594.5 million), representing a year-on-year increase of 30.6% and was in line with the Group's business expansion for the Year.

## Gross profit and gross profit margin

The following table sets forth the Group's gross profit and gross profit margin by business segments for the years indicated.

	Year ended 31 December			
	2022		2021	
	Gross profit <i>RMB'000</i>	Gross profit margin %	Gross profit <i>RMB'000</i>	Gross profit margin %
<b>Non-commercial property management and value-added services</b>				
– Property management services	133,405	16.4	142,467	22.2
– Value-added services to non-property owners	153,926	32.1	148,190	43.5
– Community value-added services	213,709	32.9	203,693	46.1
<b>Sub-total</b>	<b>501,040</b>	<b>25.8</b>	<b>494,350</b>	<b>34.7</b>
<b>Commercial property management and operational services</b>				
– Commercial operation and management services	125,501	29.6	122,477	32.0
– Market positioning, consultancy and tenant sourcing service	52,900	43.5	54,006	48.8
<b>Sub-total</b>	<b>178,401</b>	<b>32.7</b>	<b>176,483</b>	<b>35.8</b>
<b>Total</b>	<b>679,441</b>	<b>27.3</b>	<b>670,833</b>	<b>35.0</b>

The overall gross profit margin of the Group is primarily affected by its business mix, average property management fee rates it charges for property management services, geographic concentration of GFA under management and cost control capabilities. The Group's gross profit increased from RMB670.8 million for the Previous Year to RMB679.4 million for the Year. The overall gross profit margin of the Group decreased from 35.0% for the Previous Year to 27.3% for the Year.

The gross profit margin for non-commercial property management and value-added services decreased to 25.8% for the Year, mainly due to the adjustment of the Group's business structure in actively developing value-added services (which are still in the growth stage), which in turn led to a decrease in the overall gross profit margin of this segment.

The gross profit margin for commercial property management and operational services decreased from 35.8% for the Previous Year to 32.7% for the Year. The decrease in gross profit margin for the segment was primarily due to the impact of repeated COVID-19 outbreaks, the PRC economic environment and the slowed-down overall demand for tenant services in the commercial property market, which required more cost input to generate revenue.

### **Administrative expenses**

Administrative expenses of the Group mainly comprise staff costs, consultancy service fees. For the Year, administrative expenses of the Group amounted to RMB210.9 million, representing an increase of 30.6% as compared to that of RMB161.5 million for the Previous Year, which was in line with the Group's business expansion for the Year.

## **Other income**

Other income of the Group primarily consists of additional value-added tax deduction and government grants. For the Year, other income of the Group amounted to RMB24.8 million (Previous Year: RMB14.0 million), representing an increase of 77.4% as compared to the Previous Year, primarily due to the job stabilisation subsidies received from the government during the Year.

## **Other gains – net**

Net other gains of the Group primarily consist of net foreign exchange gains. For the Year, the Group had net other gains of RMB14.4 million (Previous Year: net other losses of RMB16.0 million). Foreign exchange gains of RMB13.9 million were recorded for the Year mainly because proceeds from the Global Offering of the Shares were in Hong Kong dollars and the exchange rate of Hong Kong dollar against RMB increased at the end of the Year. Please refer to the “Proceeds from the Global Offering” section below for details.

## **Finance income – net**

Net finance income of the Group consist of interest income from bank deposits and interest expense of lease liabilities. For the Year, net finance income amounted to RMB71.7 million (Previous Year: net finance income of RMB20.4 million). Finance income for the Year increased by RMB51.0 million as compared to the Previous Year primarily due to the increase in the Group’s revenue, proceeds from the Global Offering and bank deposits, as well as the adoption of a centralised fund management model to increase the rate of return on funds.

### **Income tax expenses**

For the Year, income tax expenses of the Group were RMB151.6 million (Previous Year: RMB154.5 million), representing a slight decrease of 1.9% as compared to the Previous Year, primarily due to the tax exemption of the foreign exchange earnings and overseas interest income.

### **Profit for the Year**

For the Year, net profit of the Group amounted to RMB424.4 million (Previous Year: RMB369.7 million), representing a year-on-year increase of 14.8%. Net profit margin for the Year was 17.1%, representing a decrease of 2.3 percentage points as compared to that of 19.3% for the Previous Year, mainly due to the impact of a combination of factors, including, amongst others, the repeated COVID-19 outbreaks across the country and the adjustment of the Group's business structure.

### **Profit attributable to owners of the Company**

During the Year, profit attributable to owners of the Company was RMB416.1 million (Previous Year: RMB359.5 million), representing a year-on-year increase of 15.7%.

### **Basic earnings per share**

In the Year, basic earnings per share attributable to the owners of the Company (based on the weighted average number of ordinary Shares in issue) amounted to RMB0.27 (Previous Year: RMB0.27).



## **Rights-of-use assets**

The Group's right-of-use assets are mainly related to the lease contracts for buildings and parking lots it used for operations. As of 31 December 2022, the Group's right-of-use assets amounted to RMB76.4 million (31 December 2021: RMB53.8 million). Such increase of right-of-use assets was primarily attributable to the combined effect of renewed and newly contracted buildings and parking lots used for operations, and depreciation over time.

## **Financial assets at fair value through other comprehensive income**

As of 31 December 2022, the Group had financial assets at fair value through other comprehensive income of RMB32.2 million (31 December 2021: RMB32.2 million), which comprised the Group's investments in:

- (i) 5% equity interests of Guangzhou Construction & Development Property Holdings Mingte Network Development Co., Ltd (廣州市城建開發集團名特網絡發展有限公司), which is principally engaged in development and installation of intelligence management systems and information management systems and services; and
- (ii) 10% equity interests of Guangzhou Yuetou Commercial Factoring Co., Ltd. (廣州越投商業保理有限公司), which is principally engaged in provision of commercial factoring and other related financial services in the PRC.

## **Trade receivables**

The Group's trade receivables increased to RMB603.6 million as of 31 December 2022 from RMB517.0 million as of 31 December 2021, representing an increase of 16.7%, which was mainly attributable to the increase in the Group's revenue for the Year as compared to the Previous Year.

### **Other receivables and prepayments**

The Group's other receivables and prepayments mainly comprise property management costs recoverable, payments on behalf of residents and tenants and guarantee deposits paid in relation to the provision of property management services. The Group's other receivables increased to RMB336.5 million as of 31 December 2022 from RMB256.6 million as of 31 December 2021, representing an increase of 31.2%, mainly due to the growth of business scale.

### **Trade payables**

The Group's trade payables increased to RMB353.1 million as of 31 December 2022 from RMB166.6 million as of 31 December 2021, representing an increase of 112.0%, mainly due to the continuous business expansion of the Group.

### **Other payables**

The Group's other payables primarily consist of advances received from property owners and tenants for settlement of costs to be incurred in relation to property management services provided under a commission basis, and performance guarantee deposits received from other service providers and renovation and utility security deposits received from property owners and tenants. The Group's other payables as of 31 December 2021 and 31 December 2022 were RMB1,135.4 million and RMB1,233.5 million, respectively. The increase in the Group's other payables was mainly due to business expansion during the Year.

## **Liquidity and capital resources**

The Group finances its working capital mainly by its cash and cash equivalents, cashflows from its operating activities and a portion of the proceeds from the Global Offering. The Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has maintained stable financial condition and sufficient liquidity throughout. The Group's net current assets as of 31 December 2022 amounted to RMB3,397.1 million (31 December 2021: RMB3,098.0 million), representing an increase of 9.7%. The increase was mainly due to the continuous business expansion of the Group.

As of 31 December 2022, the Group's cash and cash equivalents amounted to RMB4,360.8 million (31 December 2021: RMB3,803.4 million). The increase was mainly attributable to the increments from operating activities.

As of 31 December 2022, the Group had no bank borrowings (31 December 2021: Nil) or loans from related party (31 December 2021: Nil) or amounts due to related parties (31 December 2021: Nil). As of 31 December 2022, the Group had lease liabilities of RMB78.8 million (31 December 2021: RMB55.0 million). The increase was mainly attributable to renewed and newly contracted buildings and parking lots used for operation.

The gearing ratio is calculated based on total bank borrowings divided by total equity, multiplied by 100%. Since the Group had no bank borrowings as of 31 December 2021 and 31 December 2022, the gearing ratios as of both aforesaid dates were nil.

## **Proceeds from the Global Offering**

The Shares were listed on the Main Board of the Stock Exchange by way of global offering (the “**Global Offering**”) on 28 June 2021 (the “**Listing Date**”). Pursuant to the Global Offering, 369,660,000 Shares were issued on the Listing Date and 43,410,500 additional Shares were issued on 26 July 2021 according to the partial exercise of the over-allotment option (the “**Over-allotment Option**”) as described in the prospectus of the Company dated 16 June 2021 (the “**Prospectus**”).

After deducting the underwriting fees and commissions, incentive fee and other relevant expenses, the net proceeds from the Global Offering and the exercise of the Over-allotment Option amounted to HK\$1,961.3 million (equivalent to RMB1,632.0 million). As of 31 December 2022, the Group has utilised the net proceeds as follows:

Category	Intended use of proceeds <i>RMB'000</i>	Percentage of total proceeds <i>%</i>	Actual use	Unused	Expected timeline for the intended use
			of proceeds up to 31 December 2022 <i>RMB'000</i>	proceeds up to 31 December 2022 <i>RMB'000</i>	
Strategic acquisitions and investments	979,200	60	13,111 <i>(Note 1)</i>	966,089	By end of 2023
Further development of the Group's value-added services	244,800	15	34,751	210,049	By end of 2023
Developing information technology systems and smart communities	244,800	15	4,094	240,706	By end of 2023
Replenishing working capital and for general corporate purposes	163,200	10	48,462	114,738	By end of 2023
<b>Total</b>	<b><u>1,632,000</u></b>	<b><u>100%</u></b>	<b><u>100,418</u></b>	<b><u>1,531,582</u></b>	

*Note:*

(1) The Group has been actively identifying suitable acquisition opportunities during the Year and had used part of the funds to pursue and conduct feasibility studies and due diligence on potential acquisition targets.

The unused proceeds are expected to be used in accordance with the purposes set out in the Prospectus and are currently held as bank deposits.

The principal operating entities of the Group are based in the PRC and conduct their operating activities in RMB. Foreign exchange risk mainly arises from the proceeds from the Global Offering held by the Group. The Group adopts a balanced strategy to control its foreign exchange risk in respect of its bank deposits denominated in Hong Kong dollars. It is expected that part of the bank deposits will be converted into RMB in batches in order to have a higher interest income and reduce the foreign exchange exposure, while other part of the bank deposits will not be converted into RMB in order to meet needs for payment of cash dividend and day-to-day working capital of operations outside the PRC (including Hong Kong, the PRC) in the future.

### **Pledge of assets**

As of 31 December 2022, no assets of the Group were pledged as securities for liabilities.

### **Major acquisition and disposals**

During the Year, the Company did not have any major acquisition or disposal of subsidiaries and associated companies.

### **Major investments**

As of 31 December 2022, the Group did not hold any significant investment.

### **Contingent liabilities**

As of 31 December 2022, the Group did not have any material contingent liabilities.

### **Capital commitment and capital expenditure**

As of 31 December 2022, the Group did not have any capital commitment.

The Group's capital expenditure for the year 2023 is expected to be financed by proceeds from the Global Offering and working capital generated from the operating activities of the Group.

## **EMPLOYEES AND REMUNERATION POLICY**

As of 31 December 2022, the Group had a total of 12,558 full-time employees in the PRC and Hong Kong, PRC. Total staff costs for the Year amounted to RMB938.0 million.

The Group regularly reviews remuneration and benefits of its employees according to the market practice and the relevant employee's performance. The Group also (in accordance with applicable laws) provides various insurance coverage (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance), housing provident funds (in the PRC) and mandatory provident funds (in Hong Kong, the PRC) for its employees.

The Group has also implemented various talent development and acquisition policies, in order to recruit and retain high-quality employees and their expertise and experience. For example, the "Yuexiu Property Management Training & Development Academy" provides employees with various comprehensive training sessions and courses, including management skill enhancement, qualification test tutoring and professional skill training.

## **CORPORATE GOVERNANCE CODE**

The Board recognises the importance of maintaining a high standard of corporate governance to protect and enhance the benefits of the Shareholders and has applied the code provisions of the Corporate Governance Code contained in Appendix 14 to the Listing Rules. During the Year, the Company had complied with all code provisions set out in Part 2 of Appendix 14 to the Listing Rules.

## **MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) in Appendix 10 to the Listing Rules as the code of conduct for the Directors in their dealings in the Company’s securities. Having made specific enquires with each Director, all Directors confirmed that they had complied with the required standard as set out in the Model Code during the Year.

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

Neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities during the Year.

## **EVENTS AFTER THE REPORTING PERIOD**

On 15 February 2023, the Scheme has been approved by the Shareholders at the general meeting of the Company. Under the initial grant proposal, a total of 15,220,300 share options were conditionally granted to a total of 39 eligible participants on 30 December 2022, comprising two executive Directors and 37 members of senior management and core employees of the Group. As of the date of this announcement, the conditions precedent of the initial grant of share options have not yet been fully satisfied. For details, please refer to the announcement and the circular of the Company dated 30 December 2022 and 26 January 2023, respectively.

Apart from the aforementioned matters, there were no other significant events affecting the Group since 31 December 2022 and up to the date of this announcement.

## **AUDIT COMMITTEE**

The audit committee of the Company (the “**Audit Committee**”), comprising Ms. Hui Lai Kwan (Chairlady), Mr. Hung Shing Ming and Mr. Chan Yuen Hang Kenneth, has discussed with the Group’s management and external auditors the accounting principles and policies adopted by the Group as well as the procedures adopted by the auditor in reviewing all continuing connected transactions and connected transactions, and has reviewed the consolidated financial statements of the Group for the Year with no disagreement.

## **CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS**

The continuing connected transactions have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirm that the continuing connected transactions were entered into:

- a) in the ordinary and usual course of business of the Group;
- b) either on normal commercial terms or better; and
- c) under terms and conditions that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company has engaged its auditor to report on the continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Company’s auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to its attention that causes it to believe that the disclosed continuing connected transactions:



- a) have not been approved by the Board;
- b) were not, in all material respects, in accordance with the pricing policies of the Group;
- c) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; or
- d) have exceeded the annual cap in respect of the disclosed continuing connected transactions.

## **REVIEW OF ANNUAL RESULTS**

The annual results have been reviewed and agreed by the Audit Committee. The figures in respect of this preliminary announcement of the Group's results for the Year have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the Year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on this preliminary announcement.

## **FINAL DIVIDEND**

The Board has proposed the payment of a final dividend for the Year of HKD0.109 per Share (Previous Year: HKD0.102 per Share (equivalent to RMB0.083 per Share)), which is equivalent to RMB0.096 per Share payable to Shareholders whose names appear on the register of members of the Company at the close of business on Thursday, 25 May 2023. Subject to the approval of Shareholders at the forthcoming annual general meeting of the Company, the final dividend will be paid on or about Thursday, 6 July 2023. Dividends payable to Shareholders will be paid in Hong Kong dollars. The exchange rate adopted by the Company for its dividend payable is the average middle exchange rate of HKD against RMB announced by the People's Bank of China in the five business days preceding the date of dividend declaration.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 12 May 2023 to Wednesday, 17 May 2023, both days inclusive, during which period no transfer of Shares will be registered. For the purpose of ascertaining the Shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on Wednesday, 17 May 2023, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Thursday, 11 May 2023.

In addition, the register of members of the Company will be closed from Wednesday, 24 May 2023 to Thursday, 25 May 2023, both days inclusive, for the purpose of ascertaining the Shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar, Tricor Investor Services Limited, no later than 4:30 p.m. on Tuesday, 23 May 2023.

## **PUBLICATION OF ANNUAL RESULTS ON THE WEBSITES OF THE STOCK EXCHANGE AND THE COMPANY**

This annual results announcement will be published on the websites of the Company (www.yuexiuserVICES.com) and the Stock Exchange (www.hkexnews.hk). The Company's annual report for the Year will be despatched to the Shareholders and published on the aforesaid websites in due course.

By order of the Board of  
**Yuexiu Services Group Limited**  
**Yu Tat Fung**  
*Company Secretary*

Hong Kong, 8 March 2023

*As at the date of this announcement, the Board comprises:*

*Executive Directors: Mr. Zhang Jianguo, Mr. Mao Liangmin and Mr. Zhang Jin*

*Non-executive Directors: Mr. Lin Feng (Chairman), Mr. Yao Xiaosheng and  
Mr. Yang Zhaoxuan*

*Independent Non-executive Directors: Mr. Hung Shing Ming, Ms. Hui Lai Kwan and  
Mr. Chan Yuen Hang Kenneth*

*\* for identification purpose only*