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(Incorporated in Hong Kong with limited liability)

(Stock code: 06626)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

RESULTS HIGHLIGHTS FOR THE YEAR ENDED 31 DECEMBER 2023

- Total revenue amounted to RMB3,223.6 million, representing a year-on-year increase of 29.7%. Among which:
 - (i) revenue from non-commercial property management and value-added services amounted to RMB2,630.1 million, representing a year-on-year increase of 35.5%; and
 - (ii) revenue from commercial property management and operational services amounted to RMB593.5 million, representing a year-on-year increase of 8.9%.
- Gross profit margin was 26.6%.
- Profit attributable to owners of the Company amounted to RMB487.0 million, representing a year-on-year increase of 17.0%.
- Basic earnings per Share was RMB0.32.
- As of 31 December 2023, GFA under management of the Group was 65.2 million sq.m., representing a growth of 26.2% as compared to that of 31 December 2022; and contracted GFA of the Group was 83.4 million sq.m., representing a year-on-year growth of 18.2%.
- The Board has proposed to declare a final dividend of HK\$0.087 per Share (equivalent to RMB0.079 per Share); together with the interim dividend, total dividend for the full year of 2023 was HKD0.176 per Share (equivalent to RMB0.160 per Share). The total dividend payout ratio for 2023 was 50%.

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 2023 (the “**Year**”).

CONSOLIDATED INCOME STATEMENT

| | <i>Note</i> | Year ended 31 December | |
|--|-------------|------------------------|----------------|
| | | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue | 3 | 3,223,631 | 2,486,205 |
| Cost of sales | 4 | (2,367,004) | (1,806,764) |
| Gross profit | | 856,627 | 679,441 |
| Administrative expenses | 4 | (279,327) | (210,928) |
| Net impairment losses on financial and contract assets | | (7,638) | (3,576) |
| Other income | 5 | 19,569 | 24,849 |
| Other (losses)/gains - net | 6 | (4,280) | 14,407 |
| Operating profit | | 584,951 | 504,193 |
| Finance income | | 106,925 | 74,813 |
| Finance costs | | (4,887) | (3,140) |
| Finance income - net | 7 | 102,038 | 71,673 |
| Share of results of joint ventures | | 153 | 116 |
| Profit before income tax | | 687,142 | 575,982 |
| Income tax expense | 8 | (187,260) | (151,564) |
| Profit for the year | | 499,882 | 424,418 |
| Profit attributable to: | | | |
| – Owners of the Company | | 487,020 | 416,099 |
| – Non-controlling interests | | 12,862 | 8,319 |
| | | 499,882 | 424,418 |
| Earnings per share (expressed in RMB per share) | | | |
| – Basic and diluted earnings per share | 9 | 0.32 | 0.27 |

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| | Year ended 31 December | |
|--|------------------------|----------------|
| | <i>Note</i> | |
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit for the year | 499,882 | 424,418 |
| Other comprehensive income | | |
| <i>Items that may be reclassified subsequently to profit or loss</i> | | |
| – Exchange differences on translation of foreign operations | (938) | 7,448 |
| <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 | 1,044 | 15 |
| Other comprehensive income for the year, net of tax | 106 | 7,463 |
| Total comprehensive income for the year | 499,988 | 431,881 |
| Total comprehensive income attributable to: | | |
| – Owners of the Company | 487,126 | 423,562 |
| – Non-controlling interests | 12,862 | 8,319 |
| | 499,988 | 431,881 |

CONSOLIDATED BALANCE SHEET

| | | As at 31 December | |
|--|------|-------------------------|-------------------------|
| | Note | 2023 | 2022 |
| | | RMB'000 | RMB'000 |
| Assets | | | |
| Non-current assets | | | |
| Property, plant and equipment | | 36,613 | 36,515 |
| Right-of-use assets | | 103,691 | 76,394 |
| Intangible assets | 11 | 332,921 | 344,253 |
| Interest in joint ventures | | 2,867 | 933 |
| Financial assets at fair value through other comprehensive income | | 33,624 | 32,156 |
| Deferred income tax assets | | 12,677 | 10,858 |
| Restricted cash | | 11,001 | 29,147 |
| | | <u>533,394</u> | <u>530,256</u> |
| Current assets | | | |
| Inventories | | 10,280 | 6,301 |
| Contract assets | 3 | 75,674 | 37,518 |
| Trade and other receivables and prepayments | 12 | 1,026,956 | 984,777 |
| Prepaid income taxes | | 26,916 | 24,097 |
| Cash and cash equivalents | | 4,695,204 | 4,360,789 |
| Restricted cash | | 29,658 | 4,108 |
| Fixed bank deposits | | 9,062 | — |
| | | <u>5,873,750</u> | <u>5,417,590</u> |
| Total assets | | <u><u>6,407,144</u></u> | <u><u>5,947,846</u></u> |
| Equity | | | |
| Equity attributable to owners of the Company | | | |
| Share capital | 13 | 2,543,048 | 2,543,048 |
| Other reserves | | (296,242) | (332,519) |
| Retained earnings | | 1,197,774 | 1,012,036 |
| | | <u>3,444,580</u> | <u>3,222,565</u> |
| Non-controlling interests | | <u>175,875</u> | <u>168,661</u> |
| Total equity | | <u><u>3,620,455</u></u> | <u><u>3,391,226</u></u> |

| | | As at 31 December | |
|-------------------------------------|-------------|--------------------------|-------------------------|
| | <i>Note</i> | 2023 | 2022 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Liabilities | | | |
| Non-current liabilities | | | |
| Contract liabilities | 3 | — | 439,308 |
| Deferred income tax liabilities | | 77,795 | 58,747 |
| Lease liabilities | | 43,614 | 38,062 |
| | | <u>121,409</u> | <u>536,117</u> |
| Current liabilities | | | |
| Trade and other payables | 14 | 1,761,845 | 1,586,635 |
| Contract liabilities | 3 | 808,732 | 355,690 |
| Lease liabilities | | 64,514 | 40,774 |
| Current income tax liabilities | | 30,189 | 37,404 |
| | | <u>2,665,280</u> | <u>2,020,503</u> |
| Total liabilities | | <u>2,786,689</u> | <u>2,556,620</u> |
| Total equity and liabilities | | <u>6,407,144</u> | <u>5,947,846</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 18 March 2024.

2 Basis of preparation and changes in 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.

(i) Compliance with HKFRS and HKCO

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

HKFRS comprise the following authoritative literature:

- Hong Kong Financial Reporting Standards
- Hong Kong Accounting Standards
- Interpretations developed by the Hong Kong Institute of Certified Public Accountants.

(ii) Historical cost convention

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 2022 and 2023 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 2022 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 2023 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 2023:

| | |
|--|--|
| HKAS 8 (Amendments) | Definition of Accounting Estimates |
| HKAS 12 (Amendments) | Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction |
| HKAS 12 (Amendments) | International Tax Reform – Pillar Two Model Rules |
| HKAS 1 and HKFRS Practice Statement 2 (Amendments) | Disclosure of Accounting Policies |
| HKFRS 17 (Amendments) | Insurance Contracts |

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. Except for HKAS 12 Amendments described below, the adoption of these amended standards and interpretation did not result in any significant impact on the consolidated financial statements of the Group.

The Group has adopted the Amendments to HKAS 12 “Deferred Tax related to Assets and Liabilities Arising from a Single Transaction” on 1 January 2023, which resulted in the recognition of separate deferred income tax assets and separate deferred income tax liabilities for temporary differences arising on leases, both at initial recognition and subsequently. In accordance with the transitional provisions, the Group adopted the amendments for the first time by recognising deferred tax for all temporary differences related to leases at the beginning of the earliest comparative period presented. As a result, with the beginning of the earliest period presented being 1 January 2022, an adjustment of RMB9,721,000 was recognised to the gross amounts of deferred income tax assets and deferred income tax liabilities simultaneously, and the resultant deferred income tax assets and deferred income tax liabilities met the set-off provisions and was presented on a net basis on the consolidated balance sheet.

Since the Group had considered the lease as a single transaction in which the assets and liabilities were integrally linked and recognised deferred tax on a net basis previously, there were nil impact on opening retained earnings upon the adoption of the amendments.

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

The following new standards and amendments to existing standards have been published but are not effective for the financial year beginning 1 January 2023 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.

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

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 2023

| | Non-commercial property management and value-added services RMB'000 | Commercial property management and operational services RMB'000 | Total RMB'000 |
|---|--|--|--------------------------|
| Revenue from contracts with customers recognized | | | |
| - At a point in time | 473,753 | — | 473,753 |
| - Over time | 2,154,815 | 593,014 | 2,747,829 |
| Revenue from other sources | <u>1,549</u> | <u>500</u> | <u>2,049</u> |
| Total revenue | <u>2,630,117</u> | <u>593,514</u> | <u>3,223,631</u> |
| Segment results | <u>466,245</u> | <u>132,906</u> | <u>599,151</u> |
| Other income | | | 19,569 |
| Other losses - net | | | (4,280) |
| Unallocated operating costs | | | (29,336) |
| Finance income - net | | | 102,038 |
| Income tax expense | | | <u>(187,260)</u> |
| Profit for the year | | | <u><u>499,882</u></u> |
| Segment results include: | | | |
| Depreciation | 32,380 | 40,560 | 72,940 |
| Amortization | 13,432 | — | 13,432 |
| Net impairment losses on financial and contract assets | 7,237 | 401 | 7,638 |
| Share of results of joint ventures | <u>(153)</u> | <u>—</u> | <u>(153)</u> |

For the year ended 31 December 2022

| | Non-commercial property management and value-added services RMB'000 | Commercial property management and operational services RMB'000 | Total RMB'000 |
|--|--|--|--------------------------|
| Revenue from contracts with customers recognized | | | |
| - At a point in time | 345,015 | — | 345,015 |
| - Over time | 1,596,090 | 544,265 | 2,140,355 |
| Revenue from other sources | — | 835 | 835 |
| Total revenue | <u>1,941,105</u> | <u>545,100</u> | <u>2,486,205</u> |
| Segment results | <u>358,360</u> | <u>133,236</u> | <u>491,596</u> |
| Other income | | | 24,849 |
| Other gains - net | | | 14,407 |
| Unallocated operating costs | | | (26,543) |
| Finance income - net | | | 71,673 |
| Income tax expense | | | <u>(151,564)</u> |
| Profit for the year | | | <u><u>424,418</u></u> |
| Segment results include: | | | |
| 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 joint ventures | <u>(116)</u> | <u>—</u> | <u>(116)</u> |

An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 are as follows:

| | Year ended 31 December | |
|--|-------------------------------|-------------------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Non-commercial property management and value-added services | | |
| - Property management services | 1,029,024 | 811,692 |
| - Value-added services to non-property owners | 669,295 | 479,370 |
| - Community value-added services | 931,798 | 650,043 |
| Commercial property management and operational services | | |
| - Commercial operation and management services | 486,174 | 423,475 |
| - Market positioning consultancy and tenant sourcing services | 107,340 | 121,625 |
| | <u>3,223,631</u> | <u>2,486,205</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 years ended 31 December 2023 and 2022.

(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 2023 and 2022 are as follows:

| | Non-commercial property management and value-added services | | Commercial property management and operational services | | Total | |
|---------------------------------|---|----------------|---|----------------|-------------------------|------------------|
| | 2023 | 2022 | 2023 | 2022 | 2023 | 2022 |
| | <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 | 3,791,836 | 3,572,655 | 968,116 | 966,418 | 4,759,952 | 4,539,073 |
| Financial assets at FVOCI | | | | | 33,624 | 32,156 |
| Prepaid income taxes | | | | | 26,916 | 24,097 |
| Deferred income tax assets | | | | | 12,677 | 10,858 |
| Other corporate assets | | | | | 1,573,975 | 1,341,662 |
| Total assets | | | | | <u>6,407,144</u> | <u>5,947,846</u> |
| Segment liabilities | 2,137,562 | 1,974,319 | 529,306 | 475,997 | 2,666,868 | 2,450,316 |
| Deferred income tax liabilities | | | | | 77,795 | 58,747 |
| Current income tax liabilities | | | | | 30,189 | 37,404 |
| Other corporate liabilities | | | | | 11,837 | 10,153 |
| Total liabilities | | | | | <u>2,786,689</u> | <u>2,556,620</u> |
| Capital expenditure | 25,113 | 60,033 | 82,579 | 32,545 | 107,692 | 92,578 |

(c) Geographical distribution

Revenue from external customers by geographical location is as follows:

| | Year ended 31 December | |
|----------------|------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| Mainland China | 3,136,431 | 2,411,562 |
| Hong Kong | 87,200 | 74,643 |
| | <u>3,223,631</u> | <u>2,486,205</u> |

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

| | As at 31 December | |
|----------------|-------------------|-----------------|
| | 2023 | 2022 |
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| Mainland China | 419,125 | 461,836 |
| Hong Kong | 67,968 | 25,406 |
| | <u>487,093</u> | <u>487,242</u> |

(d) Contract assets

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

| | As at 31 December | |
|--|-------------------|-----------------|
| | 2023 | 2022 |
| | <i>RMB' 000</i> | <i>RMB' 000</i> |
| Contract assets relating to construction contracts | | |
| - Related parties | 56,649 | 31,906 |
| - Third parties | 20,465 | 5,907 |
| Less: allowance for impairment of contract assets | <u>(1,440)</u> | <u>(295)</u> |
| | <u>75,674</u> | <u>37,518</u> |

(e) Contract liabilities

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

| | As at 31 December | |
|---|-------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Contract liabilities | | |
| - Related parties | 86,084 | 31,855 |
| - Third parties | 722,648 | 763,143 |
| | <u>808,732</u> | <u>794,998</u> |
| Less: non-current portion of contract liabilities | — | (439,308) |
| Current portion of contract liabilities | <u>808,732</u> | <u>355,690</u> |

(i) 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 | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Revenue recognized that was included in the balance of contract liabilities at the beginning of the year | | |
| Non-commercial property management and value-added services | 424,090 | 281,494 |
| Commercial property management and operational services | 14,151 | 18,571 |
| | <u>438,241</u> | <u>300,065</u> |

(ii) Unsatisfied long-term decoration services contracts

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

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2023 | 2022 |
| | <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>348,139</u> | <u>539,526</u> |

Management expects that 100% of the transaction price allocated to unsatisfied performance obligations as of 31 December 2023 will be recognised as revenue during the next reporting period (RMB348,139,000). 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.

4 Expenses by nature

| | Year ended 31 December | |
|---|------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Employee benefit expenses | 1,028,233 | 938,048 |
| Subcontractor costs for decoration and other services | 399,693 | 226,950 |
| Gardening and cleaning | 370,052 | 259,345 |
| Cost of goods sold | 198,147 | 91,321 |
| Maintenance costs | 180,863 | 114,886 |
| Depreciation and amortization charges | 86,372 | 78,962 |
| Utilities | 75,640 | 57,975 |
| Promotion and advertising | 61,468 | 17,981 |
| Commission fees | 60,647 | 74,122 |
| Cost of consumables | 49,763 | 38,675 |
| Short-term lease payments | 47,600 | 43,681 |
| Consultancy fees | 26,664 | 27,676 |
| Taxes and other levies expenses | 17,735 | 14,656 |
| Office expenses | 17,683 | 12,202 |
| Travelling and entertainment expenses | 10,818 | 8,431 |
| Bank charges | 4,706 | 4,009 |
| Auditor's remuneration | 2,900 | 2,850 |
| – Audit services | 1,900 | 1,850 |
| – Non-audit services | 1,000 | 1,000 |
| Others | 7,347 | 5,922 |
| | 2,646,331 | 2,017,692 |

5 Other income

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Additional input value-added tax deduction | 10,587 | 10,365 |
| Government grants | 6,803 | 10,191 |
| Penalty income | 2,179 | 3,613 |
| Dividends income from financial assets at FVOCI | — | 680 |
| | <u>19,569</u> | <u>24,849</u> |

6 Other (losses)/gains – net

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Net foreign exchange (losses)/gains | (5,081) | 13,853 |
| Losses on disposal of property, plant and equipment | (27) | (32) |
| Others | 828 | 586 |
| | <u>(4,280)</u> | <u>14,407</u> |

7 Finance income - net

| | Year ended 31 December | |
|---------------------------------------|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Finance income | | |
| Interests income from bank deposits | <u>106,925</u> | <u>74,813</u> |
| Finance costs | | |
| Interest expense of lease liabilities | <u>(4,887)</u> | <u>(3,140)</u> |
| Finance income – net | <u>102,038</u> | <u>71,673</u> |

8 Income tax expense

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Current taxation | | |
| Current income tax | 170,255 | 134,450 |
| Corporate withholding income tax | — | 12,131 |
| Deferred taxation | | |
| Deferred income tax | (7,190) | (1,162) |
| Corporate withholding income tax on undistributed profits | 24,195 | 6,145 |
| | <u>187,260</u> | <u>151,564</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:

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Profit before income tax | 687,142 | 575,982 |
| Tax calculated at corporate income tax rate of 25% | 171,786 | 143,996 |
| - Effect of different tax rates applicable to certain subsidiaries | (9,065) | (7,576) |
| - Income not subject to tax | (2,144) | (3,687) |
| - Expenses not deductible for tax purposes | 323 | 596 |
| - Tax losses and deductible temporary differences for which no deferred income tax asset was recognized | 2,558 | 681 |
| - Utilization of previously unrecognized tax losses | (355) | (693) |
| - Share of results of joint ventures | (38) | (29) |
| - Corporate withholding income tax | 24,195 | 18,276 |
| Income tax expense | <u>187,260</u> | <u>151,564</u> |

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 2023 and 2022.

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 2023, the “Small Low-Profit Enterprise” whose taxable income is 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 25% 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’s 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 2023 and 2022.

| | Year ended 31 December | |
|---|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Profit attributable to owners of the Company | 487,020 | 416,099 |
| Weighted average number of ordinary shares (in thousands) | 1,522,030 | 1,522,030 |
| Basic and diluted earnings per share for profit attributable to the owners of the Company (expressed in RMB per share) | 0.32 | 0.27 |

10 Dividends

The directors proposed a final dividend of HKD0.087 per ordinary share, totaling approximately RMB119 million. Such dividend is to be approved by the shareholders at the Annual General Meeting on 12 June 2024. These financial statements do not reflect this dividend payable.

| | Year ended 31 December | |
|--|------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 2023 interim, declared and paid, of HKD0.089 equivalent to RMB0.081 (2022: Nil) per ordinary share | 124,411 | — |
| 2023 Final, proposed, of HKD0.087 equivalent to RMB0.079 (2022: Final , declared and paid of HKD0.109 equivalent to RMB0.097) per ordinary share | 119,099 | 147,627 |
| | <u>243,510</u> | <u>147,627</u> |

11 Intangible assets

| | Goodwill | Customer | Computer | Total |
|------------------------------------|-----------------|----------------------|-----------------|-----------------|
| | RMB'000 | relationships | software | RMB'000 |
| | RMB'000 | RMB'000 | RMB'000 | RMB'000 |
| Year ended 31 December 2022 | | | | |
| Opening net book amount | 253,332 | 82,175 | 10,376 | 345,883 |
| Additions | — | — | 4,094 | 4,094 |
| Acquisition of a subsidiary | 7,076 | — | 104 | 7,180 |
| Amortization | — | (9,413) | (3,491) | (12,904) |
| Closing net book amount | 260,408 | 72,762 | 11,083 | 344,253 |
| As at 31 December 2022 | | | | |
| Cost | 260,408 | 92,372 | 23,003 | 375,783 |
| Accumulated amortization | — | (19,610) | (11,920) | (31,530) |
| Net book amount | 260,408 | 72,762 | 11,083 | 344,253 |
| Year ended 31 December 2023 | | | | |
| Opening net book amount | 260,408 | 72,762 | 11,083 | 344,253 |
| Additions | — | — | 2,100 | 2,100 |
| Amortization | — | (9,413) | (4,019) | (13,432) |
| Closing net book amount | 260,408 | 63,349 | 9,164 | 332,921 |
| As at 31 December 2023 | | | | |
| Cost | 260,408 | 92,372 | 25,103 | 377,883 |
| Accumulated amortization | — | (29,023) | (15,939) | (44,962) |
| Net book amount | 260,408 | 63,349 | 9,164 | 332,921 |

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

| | Year ended 31 December | |
|-------------------------|-------------------------------|----------------|
| | 2023 | 2022 |
| | RMB'000 | RMB'000 |
| Cost of sales | 11,751 | 12,904 |
| Administrative expenses | 1,681 | — |
| | 13,432 | 12,904 |

12 Trade and other receivables and prepayments

| | As at 31 December | |
|---|-------------------------|-----------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade receivables (Note (a)) | | |
| - Related parties | 341,997 | 465,515 |
| - Third parties | 267,289 | 169,358 |
| | <u>609,286</u> | <u>634,873</u> |
| Less: allowance for impairment of trade receivables | (35,762) | (31,313) |
| | <u>573,524</u> | <u>603,560</u> |
| Other receivables | | |
| - Property management costs recoverable from third parties (Note (b)) | 83,395 | 62,966 |
| - Property management costs recoverable from related parties (Note (b)) | 26,891 | 53,600 |
| - Payments on behalf of third-party residents and tenants (Note (c)) | 105,299 | 86,249 |
| - Guarantee deposits paid to related parties (Note (d)) | 28,330 | 27,144 |
| - Guarantee deposits paid to third parties (Note (d)) | 74,931 | 34,636 |
| - Others | | |
| - Related parties | 47,080 | 43,182 |
| - Third parties | 39,202 | 38,663 |
| | <u>405,128</u> | <u>346,440</u> |
| Less: allowance for impairment of other receivables | (11,971) | (9,927) |
| | <u>393,157</u> | <u>336,513</u> |
| Prepayments | | |
| - Related parties | 4,461 | 601 |
| - Third parties | 42,614 | 23,846 |
| | <u>47,075</u> | <u>24,447</u> |
| Other prepaid taxes | 13,200 | 20,257 |
| | <u>13,200</u> | <u>20,257</u> |
| Total | <u>1,026,956</u> | <u>984,777</u> |

- (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 2023 and 2022, the ageing analysis of the trade receivables based on invoice date is as follows:

| | As at 31 December | |
|--------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| 0-30 days | 211,835 | 272,534 |
| 31-180 days | 241,769 | 229,627 |
| 181-365 days | 70,783 | 64,069 |
| 1 to 2 years | 62,321 | 41,807 |
| 2 to 3 years | 6,345 | 7,611 |
| Over 3 years | 16,233 | 19,225 |
| | <u>609,286</u> | <u>634,873</u> |

As at 31 December 2023, a provision of RMB35,762,000 (2022: RMB31,313,000) was made against the gross amounts of trade receivables.

- (b) The amounts mainly represent costs incurred in relation to property management services 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 2023 and 2022, trade and other receivables were mainly denominated in RMB and the fair value of trade and other receivables approximated their carrying amounts.

13 Share capital

| | Number of shares | Number of shares | Share capital | Share capital |
|------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| | 31 December 2023 | 31 December 2022 | 31 December 2023 | 31 December 2022 |
| | | | <i>RMB'000</i> | <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> |

14 Trade and other payables

| | As at 31 December | |
|--|-------------------------|-------------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Trade payables (Note (a)) | | |
| – Related parties | 15,787 | 23,315 |
| – Third parties | 383,490 | 329,792 |
| | <u>399,277</u> | <u>353,107</u> |
| Other payables | | |
| – Advances for property management services from related parties (Note (b)) | 46,697 | 48,415 |
| – Advances for property management services from third parties (Note (b)) | 263,526 | 252,619 |
| – Guarantee deposits received from related parties (Note (c)) | 93,496 | 86,313 |
| – Guarantee deposits received from third parties (Note (c)) | 382,382 | 298,305 |
| – Receipts on behalf of residents or tenants from related parties (Note (d)) | 5,359 | 4,076 |
| – Receipts on behalf of residents or tenants from third parties (Note (d)) | 220,033 | 144,202 |
| – Dividend payables to related parties | 11,273 | — |
| – Accrued expenses to third parties | 105,156 | 91,649 |
| – Accrued expenses to related parties | 569 | 1,060 |
| – Others to third parties | 20,061 | 21,891 |
| | <u>1,148,552</u> | <u>948,530</u> |
| – Accrued payroll liabilities | 179,508 | 201,965 |
| – Other tax payables | 34,508 | 83,033 |
| Trade and other payables | <u><u>1,761,845</u></u> | <u><u>1,586,635</u></u> |

- (a) As at 31 December 2023 and 2022, the ageing analysis of the trade payables based on invoice date is as follows:

| | As at 31 December | |
|--------------|--------------------------|----------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| Up to 1 year | 367,560 | 331,270 |
| 1 to 2 years | 15,944 | 4,140 |
| 2 to 3 years | 3,017 | 3,524 |
| Over 3 years | 12,756 | 14,173 |
| | <u>399,277</u> | <u>353,107</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 2023 and 2022, trade and other payables were denominated in the following currencies:

| | As at 31 December | |
|-----|--------------------------|------------------|
| | 2023 | 2022 |
| | <i>RMB'000</i> | <i>RMB'000</i> |
| RMB | 1,755,392 | 1,584,965 |
| HKD | 6,453 | 1,670 |
| | <u>1,761,845</u> | <u>1,586,635</u> |

- (f) As at 31 December 2023, the carrying amounts of trade and other payables approximated their fair values.

CHAIRMAN’S STATEMENT

Dear Shareholders,

In 2023, Yuexiu Services Group Limited (the “Company”) and its subsidiaries (collectively, the “Group”) pursued the vision to become “our customers’ trusted service company”. The Group strived to continue to optimize its core property management services, while enhancing value-added services, and actively expanding business. Such strategies helped the Group improve customer satisfaction, progressively develop the market, strengthen operational capabilities of value-added services, and eventually produce solid result performance.

INDUSTRY REVIEW

With the three-year-long COVID-19 epidemic restrictions finally ending, the world economy has begun to recover. However, due to other causes such as geopolitical tensions and rising inflation, global economic development has been slow and unequal. In response to the increasing downward pressure, China increased macro-control measures to achieve long-term improvement in economic performance, achieving its primary economic and social development goals for the year. China achieved significant GDP growth in 2023, expanding at a year-on-year rate of 5.2%.

In 2023, the property market continued to experience significant changes. Some property developers experienced a business slowdown and with material risks continuing to exist – the property management industry in turn no longer benefitted from fast expansion and high gross profit. Various property management companies aggressively responded to market changes by focusing on service quality, prioritising the quality of expansion projects, and pursuing breakthroughs via diversification of business streams. These efforts have assisted the property management industry in returning to a path of robust and high-quality development.

Furthermore, because property management services are so important to people’s livelihoods and living standards, the central and local governments have continuously improved policies governing the property management industry, setting the groundwork for the industry’s standardized and professional development. In July 2023, 13 ministries, including the Ministry of Commerce and the Ministry of Housing and Urban-Rural Development (the “MOHURD”), jointly issued the “Three-Year Action Plan for Comprehensively Promoting the Construction of 15-Minute Convenient Living Circles in Cities (2023-2025)” – which sets out the goal of constructing 15-minute “convenient living circles” by 2025 in all qualified prefecture-level cities (and cities above such level) across Mainland China and supports large-scale property management companies to provide services that improve the living standards of citizens in such cities, and promote the combined offering of property management services and lifestyle services. In the same month, seven ministries, including the MOHURD, published the “Notice on Issuing and Distributing the List of Pilot Projects for Integrated Community Construction”– which aims to further promote pilot projects for construction of integrated communities, and with a particular focus on improving community equipment and supporting facilities to create a better living environment for communities.

BUSINESS REVIEW

SOLID GROWTH IN OPERATING RESULTS

The Group’s revenue for the year ended 31 December 2023 (the “**Year**”) was RMB3,223.6 million, up 29.7% from the year ended 31 December 2022 (the “**Previous Year**”). The Group’s gross profit margin for the Year was 26.6%, which was relatively unchanged year on year. The profit attributable to owners of the Company was RMB487.0 million, representing a 17.0% increase over the Previous Year. The board (the “**Board**”) of directors (the “**Directors**”) of the Company has proposed to declare a final dividend of HK\$0.087 per share of the Company (the “**Share**”) (equal to RMB0.079 per Share) for the Year. The total dividend for 2023, including the interim dividend, was HK\$0.176 per Share (equal to RMB0.160 per Share). The total dividend payout ratio for 2023 was 50%.

IMPROVING CORE PROPERTY MANAGEMENT SERVICES WITH A FOCUS ON QUALITY

In 2023, the Group continued to work towards its original goals, improved its standard operating procedures, and offered professional, refined and tailored services to a variety of sectors to meet client demands. The Group chose top-notch residential properties projects to introduce high-end services under its “Zhenyue Line (臻越系)”, with Panyu Grand Mansion being the first project to showcase the Group’s high-end services. In addition, the Group established professional services systems for sectors such as civic centers, office buildings and industrial parks. The Group also conducted studies on service design and developed comprehensive standards for whole life-cycle services, with the aim of establishing a competitive edge and improving client retention.

In order to support its development as a professional service provider, the Group has assembled an in-house team and continued to enhance its value-adding services and capabilities. The Group established a joint venture with OTIS Elevator (China) Company Limited during the Year to improve lift maintenance and management, and to develop and expand its building intelligence business. To save costs and boost efficiency, the Group piloted self-operated and integrated greening operations that required a high level of expertise. At the same time, the Group has entered into a collaboration agreement with the Guangzhou Institute of Energy Conversion, Chinese Academy of Sciences to work together to advance green property management through the development of low-carbon space and environmental protection-promoting solutions.

In addition, in order to address customer concerns, the Group carried out a thorough investigation of various core operational issues, in order to improve service quality. The Group implemented the “Request Response” campaign throughout the Year, with employees using WeCom to shorten response time to customer requests – the overall response rate reached 91%, marking an improvement of 11 percentage points from the Previous Year. The Group also developed the “Clean Community” initiative, arranging collaborative inspections and environmental trainings to comprehensively improve the level of environmental quality management – as a result, the number of sanitary complaints decreased significantly.

The Group continued enhancing its intelligence infrastructure. In order to increase operational efficiency and enhance customer experience, the Group has effectively digitalized its core business activities. Additionally, the Group has enhanced its project assessment and evaluation system – and in particular, prioritising quality and satisfaction evaluations. This enabled the Group to assess operational performance and project quality from a more objective and scientific standpoint.

According to a survey conducted by a third-party research institution, the overall satisfaction score from residential property customers of the Group, remained high at 91. The overall satisfaction score from commercial property customers of the Group, also remained high at 99.9.

ENHANCING VALUE-ADDED SERVICES TO DRIVE DIVERSIFIED BUSINESS DEVELOPMENT

In order to support the professional and diversified development of its five value-added services – new retail, property agency, community commercial services, home decoration, and intelligence – the Group concentrated on community operations and product competitiveness taking advantage of the synergies among its various business streams during the Year. As a result, the Group’s value-added business operation improved significantly and experienced substantial growth during the Year.

For new retail business, the Group has continued to optimize its product offerings around customer demand. The Group experimented with new channels such as live broadcasts and residents’ sporting events, as well as innovative community-focused businesses such as themed markets and lifestyle centres, resulting in a substantial boost in average household sales.

For property agency business, the Group intensified channel-related efforts while further improving store coverage and community penetration. The Group’s market share and operating efficiency improved continuously as revenue from leasing and sales of existing properties increased significantly during the Year. The Group has also introduced the “Worry-Free” product line to broaden its commercial offerings to cover apartment entrustment.

For community commercial services, the Group focused on improving its capabilities in operating and managing existing properties. The Group saw gross floor area (“GFA”) under management, occupancy rate and rental level all increased in spite of the downward market trends. The Group also enriched its community operation model by developing diversified businesses, such as clubs, community groups, and recreational activities.

For home decoration business, the Group has improved its promotion strategy by constructing real-life model units, by conducting research and development based on standard housing types. Additionally, the Group continued to grow its self-operated turnkey furnishing businesses.

For intelligence business, the Group has focused on improving delivery and service quality by optimizing the supply chain, elevating the standard of project management and creating multiple benchmark intelligent projects, all with the aim of improving customer satisfaction.

DIVERSIFYING BUSINESS EXPANSION TO ACHIEVE QUALITY SCALE DEVELOPMENT

During the Year, the Group further optimized its market bidding system by strengthening front-end evaluation and regulating post-bid management, clarifying standards for its core businesses (residential properties, commercial properties, mass transportation, and urban services), enhancing qualification requirements, and issuing standard operating procedures and operation manuals. It also focused on core cities by optimising city selection guidelines, improved the quality of expansion projects through the development of external expansion benchmark projects and the establishment of a systematic assessment system. In addition to market expansion, the Group increased channel efforts, improved communications with partners and improved joint venture cooperation models, all with the aim of completing high-quality projects.

During the Year, the Group won bids for various TOD property management service projects, including Fuzhou Metro Line 4 and Zhengzhou Metro Line 12, as it establishes a national TOD project footprint. Furthermore, the Group won bids for a number of landmark projects during the Year, including the Memorial Museum of Generalissimo Sun Yat-sen’s Mansion in Guangzhou (廣州孫中山大元帥府紀念館), the Guangdong Rural Credit Data Centre in Foshan (佛山廣東農信數據中心), and the Ezhou International Convention and Exhibition Centre (鄂州國際會展中心) – demonstrating the benefits of its core business types and effectively enhancing its reputation.

In 2023, the Group signed contracts for 113 new projects, adding a total contractual GFA of 15.4 million square metres. As at 31 December 2023, it had 408 projects under management with a total GFA of 65.2 million sq.m., and was contracted to manage 476 projects with a contracted GFA of 83.4 million sq.m.. The Group has gradually expanded its nationwide market coverage, with contracted projects in 49 cities (including Hong Kong) – it has focused on the Guangdong-Hong Kong-Macau Greater Bay Area (the “**Greater Bay Area**”) as its primary market and with significant business presences throughout China.

In addition to its property management business, the Group has actively expanded its value-added services in order to increase its scope of business. During the Year, it expanded the community commercial business to include external projects such as Tongde Plaza (同德廣場) in Guangzhou and Suxufang (蘇胥坊) in Suzhou – recognising the Group’s business planning capabilities as it continued to promote its “Living Fun (悅匯時光)” brand throughout China. The Group also continued to extend its intelligence business to cover different business types through external expansion, including smart campuses, smart hospitals, and smart commercial complex.

AWARDS AND RECOGNITIONS

In 2023, the China Index Academy ranked the Group 14th among the “Top 100 Property Management Companies in China for 2023 (2023中國物業服務百強企業第14位)” and 10th among “China’s Listed Property Management Companies in terms of Overall Strength for 2023 (2023中國物業服務上市公司綜合實力第10位)”. MSCI Inc. (“MSCI”) elevated the Group’s ESG rating to A, the highest rating offered to property management companies in Mainland China. The Group earned numerous other recognitions during the Year, including the “Excellence in ESG Governance Award (卓越ESG管治表現大獎)” and “Excellence in ESG Social Sustainability Award (卓越ESG社會表現大獎)” from Ming Pao in Hong Kong.

OUTLOOK

Looking forward, with increasing demand from customers, property management companies are returning to a focus on service, which includes enhancing customer satisfaction, establishing brand trust and enriching service types, with the aim of seeking breakthroughs in diversifying business through differentiated competitive edges. The property management industry has a bright future and is expected to maintain steady and high-quality development.

In 2024, the Group will adhere to “raising quality with devoted services and creating benefits through lean management” to strengthen investment in core services, enhance market competitiveness to create more room for development.

CONSOLIDATING SERVICE QUALITY TO STRENGTHEN CUSTOMER RECOGNITION

The Group will implement a cutting-edge project service system to improve customer service perception, respond quickly to customer demands, and organize specific improvements. It will improve business efficiency by achieving a balance between service quality and economic benefits through the use of digital intelligence. It will also continue to develop the product systems and service standards for its various businesses, provide integrated solutions, and increase its brand influence and reputation.

At the end of 2023, the relevant regulators in Guangzhou issued the “Notice on Further Regulating Residential Property Service Charges and Other Related Issues in Guangzhou” (the “Notice”), emphasising that property management service charges shall be subject to government-guided prices and market-regulated prices, respectively, depending on the nature and characteristics of different properties, and clarifying the different situations in which property service charging standards may have been exceeded. The Group believes that the Notice will help to regulate the industry’s charging standards and promote the industry’s healthy development. The Group will provide property management services in accordance with the Policy and other relevant guidelines, and at competitive rates.

FOCUSING ON REGIONAL PENETRATION TO PURSUE QUALITY SCALE DEVELOPMENT

To increase its competitive edge, the Group will significantly strengthen its investment and development capability, with a focus on the four major areas of residential properties, commercial properties, mass transportation, and urban services. It will increase its presence in relevant cities, improve economies of scale and pursue quality expansion. At the same time, it will carefully choose cooperation partners, cautiously consider mergers and acquisitions activities, and pursue quality scale development.

ENHANCING VALUE-ADDED SERVICE CAPABILITIES TO ACHIEVE OPERATIONAL INNOVATION

The Group will conduct in-depth research on the demands and requirements of customers, businesses, and the government. With customers' trust built through day-to-day operations, the Group will provide community operation and home living services that aim to make life convenient for our customers. It will expedite the development of professional and Integrated Facility Management (“IFM”) service skills required by government and corporate customers, as well as seek and cultivate new business sectors to support the implementation of its “property+” diversified business model.

The Group maintains robust operations and a net inflow of operating cash flow, with cash on hand continuing to increase. In addition to maintaining a prudent cash management strategy, the Group will also actively explore business innovation and expansion to further improve the capital efficiency.

While promoting high-quality corporate development, the Group also prioritises sustainability management. It actively takes on corporate social responsibility and fulfils its obligations as a state-owned enterprise, aiming to maximize the overall value of the economy, society, and environment.

The Group will maintain a long-term view, increasing customer satisfaction and brand awareness by providing high-quality services and goods, in order to reinforce its core competitiveness and become the customers' trusted service company.

ACKNOWLEDGEMENTS

We would like to extend our sincere gratitude to our Shareholders, partners, and customers for their support, as well as to all of our employees for their hard work and dedication, which have contributed to the Group's success and growth.

Mr. Lin Feng

Chairman of the Board

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 across a wide range of properties, including residential properties, shopping malls, office buildings, public amenities, urban railways, metro stations and metro depots. Its primary businesses are:

- (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.

As of 31 December 2023, the Group:

- had 476 (31 December 2022: 387) contracted projects, with a total GFA of 83.4 million sq.m. (31 December 2022: 70.6 million sq.m.), representing a year-on-year increase of 18.2% in contracted GFA; and
- had 408 (31 December 2022: 323) projects under management, with a total GFA under management of 65.2 million sq.m. (31 December 2022: 51.7 million sq.m.), representing a year-on-year increase of 26.2% in GFA under management.

The table below sets forth the change in the Group's number of contracted projects and projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|-----------------------|------------------------|---------------------------|------------------------|---------------------------|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| Total projects | 476 | 408 | 387 | 323 |

The table below sets forth the change in the Group's contracted GFA and GFA under management for the periods indicated.

| | Year ended 31 December | | | |
|----------------------------------|-------------------------------|-------------------------------------|----------------|----------------------|
| | 2023 | | 2022 | |
| | Contracted GFA ⁽¹⁾ | GFA under management ⁽²⁾ | Contracted GFA | GFA under management |
| | <i>(sq.m. in thousands)</i> | | | |
| As of the beginning of the year | 70,597 | 51,689 | 58,384 | 38,872 |
| New engagements | 15,377 | 16,048 | 12,300 | 13,245 |
| Acquisitions | 46 | 46 | 787 | 446 |
| Terminations | (2,572) | (2,572) | (874) | (874) |
| As of the end of the year | 83,448 | 65,211 | 70,597 | 51,689 |

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 2023, projects contracted to be managed by the Group covered 49 cities (including Hong Kong) in the PRC. The table below sets forth a geographical breakdown of the Group's contracted GFA and GFA under management as of the dates indicated.

| | As of 31 December | | | |
|----------------------|-----------------------------|---------------------------------|----------------------|-------------------------|
| | 2023 | | 2022 | |
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| | <i>(sq.m. in thousands)</i> | | | |
| Greater Bay Area | 46,790 | 35,899 | 44,946 | 32,316 |
| East China Region | 10,815 | 8,384 | 9,111 | 7,848 |
| Central China Region | 11,005 | 8,873 | 8,039 | 5,592 |
| North China Region | 9,101 | 7,823 | 5,098 | 3,786 |
| West China Region | 5,737 | 4,232 | 3,403 | 2,147 |
| Total | <u>83,448</u> | <u>65,211</u> | <u>70,597</u> | <u>51,689</u> |

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) homeliving services; (ii) space operation services; and (iii) decoration, turnkey and move-in furnishing services.

As of 31 December 2023, the Group:

- had 385 (31 December 2022: 327) contracted non-commercial projects, with a contracted GFA of 75.7 million sq.m. (31 December 2022: 64.8 million sq.m.); and
- had 331 (31 December 2022: 269) non-commercial projects under management, with a GFA under management of 59.3 million sq.m. (31 December 2022: 47.6 million sq.m.).

The table below sets forth the change in the Group's contracted non-commercial projects and non-commercial projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|-------------------------|-------------------------------|----------------------------------|------------------------|---------------------------|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| Non-commercial projects | <u>385</u> | <u>331</u> | <u>327</u> | <u>269</u> |

The table below sets forth the Group's contracted GFA and GFA under management of non-commercial projects as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|-------------------------|-------------------------------|-----------------------------|------------------------|----------------------|
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| | <i>(sq.m. in thousands)</i> | | | |
| Non-commercial projects | <u>75,660</u> | <u>59,271</u> | <u>64,799</u> | <u>47,588</u> |

For the Year, the average property management fee of residential projects remained stable at RMB2.7/sq.m./month (Previous Year: RMB2.7/sq.m./month).

The table below sets forth the Group's average property management fee of residential projects for the periods indicated.

| | Year ended 31 December | |
|----------------------|-------------------------------|------------|
| | 2023 | 2022 |
| | <i>(RMB/sq.m./month)</i> | |
| Residential projects | <u>2.7</u> | <u>2.7</u> |

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 operational 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 2023, the Group:

- had 91 (31 December 2022: 60) contracted commercial projects, with a contracted GFA of 7.8 million sq.m. (31 December 2022: 5.8 million sq.m.); and
- had 77 (31 December 2022: 54) commercial projects under management, with a GFA under management of 5.9 million sq.m. (31 December 2022: 4.1 million sq.m.).

The table below sets forth the change in the Group's number of contracted commercial projects and commercial projects under management as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---------------------|-------------------------------|----------------------------------|------------------------|---------------------------|
| | Contracted projects | Projects under management | Contracted projects | Projects under management |
| Commercial projects | <u>91</u> | <u>77</u> | <u>60</u> | <u>54</u> |

The table below sets forth the Group's contracted GFA and GFA under management in its commercial projects as of the dates indicated.

| | As of 31 December 2023 | | As of 31 December 2022 | |
|---------------------|-------------------------------|-----------------------------|------------------------|----------------------|
| | Contracted GFA | GFA under management | Contracted GFA | GFA under management |
| Commercial projects | <u>7,788</u> | <u>5,940</u> | <u>5,798</u> | <u>4,101</u> |

(sq.m. in thousands)

For the Year, the average management fee for office buildings and shopping malls remained stable at RMB19.7/sq.m./month (Previous Year: RMB21.0/sq.m./month) and RMB35.7/sq.m./month (Previous Year: RMB37.0/sq.m./month) respectively.

The table below sets forth the Group's average property management fee at commercial projects for the periods indicated.

| | Year ended 31 December | |
|------------------|-------------------------------|-------------|
| | 2023 | 2022 |
| Office buildings | 19.7 | 21.0 |
| Shopping malls | <u>35.7</u> | <u>37.0</u> |

(RMB/sq.m./month)

FINANCIAL REVIEW

Revenue

For the Year, the Group's revenue amounted to RMB3,223.6 million (Previous Year: RMB2,486.2 million), representing a year-on-year increase of 29.7%. The increase in the Group's revenue for the Year was mainly due to the increases in revenue from non-commercial property management and value-added services, 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 | | | |
|--------------------------------|-------------------------|---------------------|-------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Non-commercial | | | | |
| property management and | | | | |
| value-added services | 2,630,117 | 81.6 | 1,941,105 | 78.1 |
| Commercial property management | | | | |
| and operational services | 593,514 | 18.4 | 545,100 | 21.9 |
| Total | <u>3,223,631</u> | <u>100.0</u> | <u>2,486,205</u> | <u>100.0</u> |

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 | | | |
|--|-------------------------------|---------------------|-------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB’000</i> | <i>%</i> | <i>RMB’000</i> | <i>%</i> |
| GZYZ, Yuexiu Property and their respective joint ventures, associates or other related parties ⁽¹⁾ | 1,298,583 | 40.3 | 1,041,609 | 41.9 |
| Independent third parties ⁽²⁾ | 1,925,048 | 59.7 | 1,444,596 | 58.1 |
| Total | <u>3,223,631</u> | <u>100.0</u> | <u>2,486,205</u> | <u>100.0</u> |

Notes:

- (1) Comprise Guangzhou Yue Xiu Holdings Limited* (廣州越秀集團股份有限公司) (“GZYZ”), 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) Comprise 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 were property owners, residents, tenants, property owners’ associations and property developers after the delivery of properties by property developers which were GZYZ 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 GZYZ, Yuexiu Property and their respective joint ventures, associates or other related parties amounted to RMB1,298.6 million, representing an increase by RMB257.0 million or 24.7% as compared to RMB1,041.6 million for the Previous Year. Such increase was mainly attributable to the continuous business expansion of collaborating property developers and their continued engagement of the Group’s services.

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

| | Year ended 31 December | | | |
|----------------|-------------------------------|---------------------|-------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB’000</i> | <i>%</i> | <i>RMB’000</i> | <i>%</i> |
| Mainland China | 3,136,431 | 97.3 | 2,411,562 | 97.0 |
| Hong Kong | 87,200 | 2.7 | 74,643 | 3.0 |
| Total | <u>3,223,631</u> | <u>100.0</u> | <u>2,486,205</u> | <u>100.0</u> |

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

For the Year, revenue from non-commercial property management and value-added services amounted to RMB2,630.1 million (Previous Year: RMB1,941.1 million), representing a year-on-year increase of 35.5%. The increase was mainly attributable to the following factors:

- (i) the increase in the number of non-commercial projects under its management to 331 from 269 and the GFA under management to 59.3 million sq.m. from 47.6 million sq.m., respectively as of 31 December 2023 as compared to 31 December 2022;
- (ii) revenue from value-added services to non-property owners increased from RMB479.4 million for the Previous Year to RMB669.3 million for the Year, representing an increase of 39.6%. Such increase was mainly attributable to the increase in revenue from services such as preliminary planning and design consultancy services, in line with the continuous expansion of the business of collaborating property developers, and the steady increase in the provision of intelligent services launched in 2022; and
- (iii) revenue from community value-added services increased from RMB650.0 million for the Previous Year to RMB931.8 million for the Year, representing an increase of 43.3% and making it the fastest-growing business of the Group. Such increase was mainly attributable to the increase in customer base as a result of the expansion of GFA under management of non-commercial properties and the diversification of community user services offered to customers.

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

| | Year ended 31 December | | | |
|--|-------------------------------|---------------------|-------------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Property management services | 1,029,024 | 39.1 | 811,692 | 41.8 |
| Value-added services to non-property owners | 669,295 | 25.5 | 479,370 | 24.7 |
| Community value-added services | 931,798 | 35.4 | 650,043 | 33.5 |
| Total | <u>2,630,117</u> | <u>100.0</u> | <u>1,941,105</u> | <u>100.0</u> |

(II) Commercial property management and operational services

For the Year, revenue from commercial property management and operational services amounted to RMB593.5 million (Previous Year: RMB545.1 million), representing a year-on-year increase of 8.9%. The increase was mainly attributable to the increase in number of commercial projects under its management to 77 from 54 and the GFA under management to 5.9 million sq.m. from 4.1 million sq.m., respectively, as of 31 December 2023 as compared to 31 December 2022.

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

| | Year ended 31 December | | | |
|--|-------------------------------|---------------------|-----------------------|---------------------|
| | 2023 | | 2022 | |
| | <i>RMB'000</i> | <i>%</i> | <i>RMB'000</i> | <i>%</i> |
| Commercial operation and management services | 486,174 | 81.9 | 423,475 | 77.7 |
| Market positioning consultancy and tenant sourcing service | 107,340 | 18.1 | 121,625 | 22.3 |
| Total | <u>593,514</u> | <u>100.0</u> | <u>545,100</u> | <u>100.0</u> |

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, cost of goods sold, maintenance costs and depreciation and amortisation. For the Year, the Group's cost of sales was RMB2,367.0 million (Previous Year: RMB1,806.8 million), representing a year-on-year increase of 31.0%. The increase in cost of sales was mainly attributable to the expansion of the GFA under management and business scale during the Year and the resulting increase in various types of costs with the diversification of value-added services.

For the Year, staff costs under cost of sales amounted to RMB827.6 million (Previous Year: RMB776.5 million), representing a year-on-year increase of 6.6%.

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 | | | |
|--|-----------------------------------|--------------------------------|-----------------------------------|--------------------------------|
| | 2023 | | 2022 | |
| | Gross profit <i>RMB'000</i> | Gross profit margin % | Gross profit <i>RMB'000</i> | Gross profit margin % |
| Non-commercial property management and value-added services | | | | |
| – Property management services | 165,397 | 16.1 | 133,405 | 16.4 |
| – Value-added services to non-property owners | 198,547 | 29.7 | 153,926 | 32.1 |
| – Community value-added services | 304,587 | 32.7 | 213,709 | 32.9 |
| Sub-total | 668,531 | 25.4 | 501,040 | 25.8 |
| Commercial property management and operational services | | | | |
| – Commercial operation and management services | 143,023 | 29.4 | 125,501 | 29.6 |
| – Market positioning consultancy and tenant sourcing service | 45,073 | 42.0 | 52,900 | 43.5 |
| Sub-total | 188,096 | 31.7 | 178,401 | 32.7 |
| Total | 856,627 | 26.6 | 679,441 | 27.3 |

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 RMB679.4 million for the Previous Year to RMB856.6 million for the Year. The overall gross profit margin of the Group decreased from 27.3% for the Previous Year to 26.6% for the Year.

The gross profit margin for non-commercial property management and value-added services decreased slightly from 25.8% for the Previous Year to 25.4% for the Year, mainly due to the Group's active expansion of business scale and development of diversified value-added services, some of which are still in the growth stage, resulting in a slight decrease in the overall gross profit margin for this segment.

The gross profit margin for commercial property management and operational services decreased from 32.7% for the Previous Year to 31.7% for the Year, primarily due to the pricing of market positioning and management consultancy services with reference to factors such as occupancy rate and rental rate. As the occupancy rates of the newly opened projects stabilised, the average gross profit margin slightly decreased during the Year.

Administrative expenses

Administrative expenses of the Group mainly comprise staff costs, consultancy fees, depreciation and amortisation charges, travelling and entertainment expenses, and bank charges. For the Year, administrative expenses of the Group amounted to RMB279.3 million, representing an increase of 32.4% as compared to that of RMB210.9 million for the Previous 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 RMB19.6 million (Previous Year: RMB24.8 million).

Other (losses)/gains – net

Net other gains of the Group primarily consist of net foreign exchange gains. For the Year, the Group had net other losses of RMB4.3 million (Previous Year: net other gains of RMB14.4 million). Foreign exchange losses of RMB5.1 million were recorded for the Year.

Finance income – net

Net finance income of the Group consists of interest income from bank deposits and interest expense of lease liabilities. For the Year, net finance income amounted to RMB102.0 million (Previous Year: net finance income of RMB71.7 million), representing a year-on-year increase of 42.4%, primarily due to the Group's effective management and utilisation of cash, which led to higher return.

Income tax expenses

For the Year, income tax expenses of the Group were RMB187.3 million (Previous Year: RMB151.6 million), representing a year-on-year increase of 23.6%, which was in line with the growth in profit before income tax.

Profit for the Year

For the Year, net profit of the Group amounted to RMB499.9 million (Previous Year: RMB424.4 million), representing a year-on-year increase of 17.8%. Net profit margin for the Year was 15.5%, representing a decrease of 1.6 percentage points as compared to that of 17.1% for the Previous Year, mainly attributable to the Group's business structure adjustment and changes in foreign exchange gains and losses.

Profit attributable to owners of the Company

During the Year, profit attributable to owners of the Company was RMB487.0 million (Previous Year: RMB416.1 million), representing a year-on-year increase of 17.0%.

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 RMB0.32 (Previous Year: RMB0.27).

Final Dividend

The Board has proposed the payment of a final dividend of HK\$0.087 per Share (equal to RMB0.079 per Share) for the Year (2022: HKD0.109 per Share which was equivalent to RMB0.097 per Share). Together with the interim dividend of HKD0.089 per Share which was equivalent to approximately RMB0.081 per Share, total dividends for the year ended 31 December 2023 amounted to HKD0.176 per Share which was equivalent to approximately RMB0.16 per Share. The record date for the Shareholders' entitlement to the final dividend will be on Thursday, 20 June 2024, and the payment date for the final dividend will be on or about Friday, 5 July 2024, subject to the approval of Shareholders at the forthcoming annual general meeting of the Company. 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.

Financial assets at fair value through other comprehensive income

As of 31 December 2023, the Group had financial assets at fair value through other comprehensive income of RMB33.6 million (31 December 2022: 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;

- (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; and
- (iii) 10% equity interests of Guangzhou Yuebang Enterprise Management Co., Ltd. (廣州越邦企業管理有限公司), which is principally engaged in provision of human resources services, labour dispatch services and other related services.

Trade receivables

The Group's trade receivables decreased to RMB573.5 million as of 31 December 2023 from RMB603.6 million as of 31 December 2022, representing a decrease of 5.0%, which was mainly attributable to the Group's continuous development of its businesses while proactively strengthening management and control in collecting receivables for the Year.

Other receivables

The Group's other receivables 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 RMB393.2 million as of 31 December 2023 from RMB336.5 million as of 31 December 2022, representing an increase of 16.8%, mainly due to the growth of business scale.

Trade payables

The Group's trade payables increased to RMB399.3 million as of 31 December 2023 from RMB353.1 million as of 31 December 2022, representing an increase of 13.1%, 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, accrued payroll liabilities and other tax payables. The Group's other payables as of 31 December 2022 and 31 December 2023 were RMB1,233.5 million and RMB1,362.6 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 (as defined below). The Group has adopted comprehensive treasury policies and internal control measures to review and monitor its financial resources and has consistently maintained stable financial condition and sufficient liquidity. The Group's net current assets as of 31 December 2023 amounted to RMB3,208.5 million (31 December 2022: RMB3,397.1 million), representing a decrease of 5.6%, mainly attributable to the increase in trade and other payables as a result of the Group's comprehensive management and control in payment schedule during the course of the Group's continuous business expansion.

As of 31 December 2023, the Group's cash and cash equivalents amounted to RMB4,695.2 million (31 December 2022: RMB4,360.8 million). The increase was mainly attributable to the increments from operating activities.

As of 31 December 2023, the Group had no bank borrowings (31 December 2022: Nil) or loans from related parties (31 December 2022: Nil) or amounts due to related parties (31 December 2022: Nil).

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 2022 and 31 December 2023, 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.

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). After careful consideration and detailed evaluation of the Group's operations and business strategy, the Group had resolved to change the use of the unutilised net proceeds. As of 31 December 2023, details of the use of the Group's net proceeds are as follows:

| Category | Intended use of proceeds <i>RMB'000</i> | Percentage of total proceeds <i>%</i> | Actual use | Unutilised | Intended use of | Expected timeline for the intended use |
|---|---|--|---|--|--|---|
| | | | of proceeds up to 31 December 2023 <i>RMB'000</i> | proceeds up to 31 December 2023 <i>RMB'000</i> | unutilised proceeds up to 31 December 2023 <i>RMB'000</i> | |
| Strategic acquisitions and investments | 979,200 | 60 | 15,476 <i>(Note 1)</i> | 963,724 | 505,028 | By end of 2026 |
| Further development of the Group's value-added services | 244,800 | 15 | 53,343 | 191,457 | 288,587 | By end of 2026 |
| Developing information technology systems and smart communities | 244,800 | 15 | 19,781 | 225,019 | 216,441 | By end of 2026 |
| Replenishing working capital and for general corporate purposes | 163,200 | 10 | 100,463 | 62,737 | 288,587 | By end of 2026 |
| Promoting ESG development | — | — | — | — | 144,294 | By end of 2026 |
| Total | <u>1,632,000</u> | <u>100%</u> | <u>189,063</u> | <u>1,442,937</u> | <u>1,442,937</u> | |

Note:

(1) The Group had 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 unutilised proceeds are expected to be utilised in accordance with the purposes set out in the amended resolution and are currently held as bank deposits denominated in RMB as the conversion to RMB of which has been basically completed.

Pledge of assets

As of 31 December 2023, 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 associates.

Major investments

As of 31 December 2023, the Group did not hold any significant investment.

Contingent liabilities

As of 31 December 2023, the Group did not have any material contingent liabilities.

Capital commitment and capital expenditure

As of 31 December 2023, the Group did not have any capital commitment.

The Group's capital expenditure for the year 2024 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 2023, the Group had a total of 13,743 full-time employees in the PRC and Hong Kong, PRC. Total staff costs for the Year amounted to RMB1,028.2 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 C1 to the Listing Rules. During the Year, the Company had complied with all code provisions set out in Part 2 of Appendix C1 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 C3 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 standards 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

There were no other significant events affecting the Group since 31 December 2023 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. Leung Yiu Man, has discussed with the Group's management and external auditor 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 auditor, 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 6 June 2024 to Wednesday, 12 June 2024, 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, 12 June 2024, 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 Wednesday, 5 June 2024.

In addition, the register of members of the Company will be closed from Wednesday, 19 June 2024 to Thursday, 20 June 2024, 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, 18 June 2024.

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, 18 March 2024

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

Executive Directors: Mr. Zhang Jianguo, Mr. Zhang Chenghao 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. Leung Yiu Man*

** for identification purpose only*