A-LIVING SMART CITY SERVICES CO., LTD.*
雅生活智慧城市服務股份有限公司

(a joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code: 3319)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL SUMMARY

	For the year ended 31 December		
	2023	2022	Change
Revenue *(RMB million)*	**15,443.4**	15,378.6	0.4%
Gross profit *(RMB million)*	**2,645.6**	3,384.0	-21.8%
Gross profit margin	*17.1%*	*22.0%*	*-4.9 percentage points*
Net profit *(RMB million)*	**698.7**	1,934.9	-63.9%
Net profit margin	*4.5%*	*12.6%*	*-8.1 percentage points*
Adjusted core net profit *(RMB million)**	**1,551.8**	2,226.8	-30.3%
Adjusted core net profit margin*	*10.0%*	*14.5%*	*-4.5 percentage points*
Profit attributable to shareholders of the Company *(RMB million)*	**460.9**	1,839.6	-74.9%
Basic earnings per share *(RMB)*	**0.32**	1.30	-75.4%
Cash and cash equivalents *(RMB million)*	**4,074.9**	3,799.3	7.3%
Proposed final dividend per share *(RMB)*	**0.06**	–	–
Proposed dividend payout ratio	**18.5%**	–	–
Total proposed final dividend *(RMB million)*	**85.2**	–	–

* Adjusted core net profit attributable to the Company, excluding the effect of the amortization of intangible assets due to the merger and acquisition ("**M&A**"), impairment losses on goodwill, gain or loss on disposal of subsidiaries, interest expense on borrowings, changes in the fair value of put options, change in profit or loss of financial assets at fair value through profit or loss, interest income and net impairment losses on financial assets.

- For the year ended 31 December 2023 (the "**Year**"), the Group recorded a revenue of RMB15,443.4 million, representing an increase of 0.4% as compared with the corresponding period of last year. During the Year, the revenue attributable to the four major business lines of the Group was as follows: (i) the revenue from the property management services increased by 7.8% to RMB10,806.7 million as compared with the corresponding period of last year; (ii) the revenue from property owners value-added services increased by 0.6% to RMB2,334.5 million as compared with the corresponding period of last year; (iii) the revenue from city services increased by 5.5% to RMB1,387.4 million as compared with the corresponding period of last year; and (iv) the revenue from extended value-added services decreased by 46.6% to RMB914.8 million as compared with the corresponding period of last year.

- During the Year, the Group recorded (i) a gross profit of RMB2,645.6 million, representing a decrease of 21.8% as compared with the corresponding period of last year, and a gross profit margin of 17.1%, representing a year-on-year decrease of 4.9 percentage points; (ii) a core gross profit margin of 18.4% excluding the effect of the amortisation of intangible assets due to M&A; (iii) a profit attributable to shareholders of the Company (the "**Shareholders**") of RMB460.9 million, representing a decrease of 74.9% as compared with the corresponding period of last year; and (iv) basic earnings per share of RMB0.32.

- Taking into account the Group's business development needs and the Shareholders' investment returns, the Board proposed to declare a final dividend of RMB0.06 per share (before tax) for the year ended 31 December 2023, representing a dividend payout ratio of 18.5%.

CONSOLIDATED INCOME STATEMENT

		Year ended 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
Revenue	3	**15,443,449**	15,378,576
Cost of sales		**(12,797,899)**	(11,994,599)
Gross profit		**2,645,550**	3,383,977
Selling and marketing expenses		**(101,377)**	(93,446)
Administrative expenses		**(841,140)**	(851,665)
Net impairment losses on financial assets		**(534,820)**	(465,623)
Impairment loss on goodwill		**(427,890)**	–
Other income	4	**190,994**	232,246
Other gains – net	5	**92,418**	208,634
Operating profit		**1,023,735**	2,414,123
Finance costs	6	**(20,128)**	(18,565)
Share of post-tax profits of joint ventures and associates		**44,937**	56,393
Profit before income tax		**1,048,544**	2,451,951
Income tax expenses	7	**(349,811)**	(517,019)
Profit for the year		**698,733**	1,934,932
Profit attributable to:			
– Shareholders of the Company		**460,875**	1,839,601
– Non-controlling interests		**237,858**	95,331
		698,733	1,934,932
Earnings per share (expressed in RMB per share)			
– Basic and diluted earnings per share	8	**0.32**	1.30

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Profit for the year	**698,733**	1,934,932
Other comprehensive income/(loss)		
Item that will not be reclassified to profit or loss		
– changes in fair value of financial assets at fair value through other comprehensive income, net of tax	**–**	(8,357)
– share of other comprehensive income of associates and joint ventures	**2,199**	–
Total comprehensive income for the year	**700,932**	1,926,575
Attributable to:		
– Shareholders of the Company	**463,074**	1,834,625
– Non-controlling interests	**237,858**	91,950
	700,932	1,926,575

CONSOLIDATED BALANCE SHEET

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
ASSETS			
Non-current assets			
Property, plant and equipment ("**PPE**")	9	**632,800**	602,543
Right-of-use assets	9	**82,511**	51,716
Investment properties		**262,995**	252,796
Other intangible assets	10	**1,170,180**	1,372,249
Goodwill	10	**2,887,011**	3,314,901
Deferred income tax assets		**385,182**	258,961
Investment accounted for using the equity method		**1,202,285**	1,169,571
Prepayments	11	**923,797**	362,280
Financial assets at fair value through other comprehensive income		**12,593**	12,593
Financial assets at fair value through profit or loss ("**FVPL**")		**3,238**	3,238
		7,562,592	7,400,848
Current assets			
Trade and other receivables and prepayments	11	**10,206,581**	10,353,331
Inventories		**38,518**	46,968
Financial assets at fair value through profit or loss		**2,000,112**	1,043,514
Restricted cash		**167,912**	57,791
Cash and cash equivalents	12	**4,074,865**	3,799,262
		16,487,988	15,300,866
Total assets		**24,050,580**	22,701,714
EQUITY			
Equity attributable to shareholders of the Company			
Share capital	13	**1,420,001**	1,420,001
Other reserves		**5,625,031**	5,687,588
Retained earnings		**5,768,108**	5,356,798
		12,813,140	12,464,387
Non-controlling interests		**1,635,991**	1,660,207
Total equity		**14,449,131**	14,124,594

CONSOLIDATED BALANCE SHEET (CONTINUED)

		As at 31 December	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
LIABILITIES			
Non-current liabilities			
Other payables	14	**2,891**	6,672
Contract liabilities		**83,631**	19,727
Borrowings		**115,369**	11,749
Lease liabilities		**42,069**	25,298
Deferred income tax liabilities		**313,152**	325,539
		557,112	388,985
Current liabilities			
Trade and other payables	14	**6,683,371**	6,022,128
Contract liabilities		**1,567,840**	1,340,277
Current income tax liabilities		**576,025**	561,434
Borrowings		**181,386**	93,071
Lease liabilities		**35,715**	26,892
Financial liabilities for put options		**–**	144,333
		9,044,337	8,188,135
Total liabilities		**9,601,449**	8,577,120
Total equity and liabilities		**24,050,580**	22,701,714

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(All amounts in RMB thousands unless otherwise stated)

1. GENERAL INFORMATION

A-Living Smart City Services Co., Ltd. (the "**Company**") was established in the People's Republic of China (the "**PRC**") on 26 June 1997. On 21 July 2017, the Company was converted from a limited liability company into a joint stock company with limited liability. The address of the Company's registered office is Management Building, Xingye Road, Agile Garden, Sanxiang Town, Zhongshan, Guangdong Province, PRC.

The Company was listed on The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") on 9 February 2018.

The Company's parent company is Zhongshan A-Living Enterprise Management Services Co., Ltd. ("**Zhongshan A-Living**"), an investment holding company established in the PRC, and its ultimate holding company is Agile Group Holdings Limited ("**Agile Holdings**"), a company incorporated in the Cayman Islands and its shares are listed on the Hong Kong Stock Exchange.

The Company and its subsidiaries (together the "**Group**") are primarily engaged in the provision of property management services, related value-added services and city sanitation and cleaning services in the PRC.

2. MATERIAL ACCOUNTING POLICIES INFORMATION

This note provides a list of the material 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.

2.1(i) Basis of preparation

These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") which collective term includes all applicable individual HKFRSs, Hong Kong Accounting Standards and Interpretations issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") and the accounting principles generally accepted in Hong Kong.

The consolidated financial statements also comply with the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the "**Listing Rules**").

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

It should be noted that accounting estimates and assumptions are used in preparation of the consolidated financial statements. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements.

2.1(ii) New and amended standards adopted by the Group

New or amended HKFRSs that are effective for annual periods beginning on 1 January 2023

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2023:

HKFRS 17	Insurance Contracts and related amendments
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to HKAS 8	Definition of Accounting Estimates
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to HKAS 12	International Tax Reform – Pillar Two Model Rules

Except for those mentioned below, the adoption of these new or amended HKFRSs had no material impact on how the results and financial position for the current and prior periods have been prepared and presented.

Amendments to HKAS 1 and HKFRS Practice Statement 2 "Disclosure of Accounting Policies"

The amendments to HKAS 1 require entities to disclose material accounting policy information instead of significant accounting policies in its financial statements. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements. The amendments also provide some guidance on how material policy information are being identified and provide some examples of when accounting policy information is likely to be material.

In March 2021, HKICPA issued HKFRS Practice Statement 2 "Making Materiality Judgements" to provide entities with non-mandatory guidance on how to make materiality judgements when preparing their general purpose financial statements in accordance with HKFRS. HKFRS Practice Statement 2 was subsequently revised to provide guidance and examples on how to apply the concept of materiality to accounting policy disclosures.

The amendments to HKAS 1 are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. The amendments had no impact on the consolidated financial statements of the Group.

Amendments to HKAS 8 "Definition of Accounting Estimates"

The amendments clarify how entities should distinguish changes in accounting policies from changes in accounting estimates by introducing a definition for accounting estimates, which is now defined as "monetary amounts in the financial statements that are subject to measurement uncertainty".

Besides, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Accounting estimates typically involve the use of judgements or assumptions based on latest available reliable information. A change in accounting estimate that results from new information or new development is not correction of an error. Therefore, the effects of a change in an input or a measurement technique used to develop an accounting estimate are changes in accounting estimates if they do not result from the correction of prior period errors. In addition, two illustrative examples are added to illustrate how to apply the new definition of accounting estimates.

The amendments are effective for annual reporting period beginning on or after 1 January 2023 and are applied prospectively. The amendments had no impact on the consolidated financial statements of the Group.

Amendments to HKAS 12 "Deferred Tax related to Assets and Liabilities arising from a Single Transaction"

The amendments clarify that the initial recognition exemption of deferred tax in HKAS 12 "Income Taxes" does not apply to transactions that give rise to equal taxable and deductible temporary differences, such as lease contracts that give rise to the recognition of a lease liability and the corresponding right-of-use assets and contracts that give rise to the recognition of decommissioning obligations and corresponding amounts recognised as assets. Instead, entities are required to recognise the related deferred tax asset and liability on initial recognition, with the recognition of any deferred tax asset being subject to the recoverability criteria in HKAS 12 "Income Taxes".

The Group adopted the amendments from 1 January 2023 and are required to recognise the associated deferred tax assets and liabilities from leases that occurred on or after 1 January 2022, with any cumulative effect recognised as an adjustment to retained profits at that date.

Prior to the application of the amendments, the Group had recognised the deferred tax assets and liabilities arising from leases on a net basis. Following the requirements of the amendments, the Group has recognised a separate deferred tax asset in relation to its lease liabilities and a deferred tax liability in relation to its right-of-use assets as at 1 January 2022. As the balances are qualified for offset under paragraph 74 of HKAS 12, there is no material impact on the opening retained profits as at 1 January 2022 as a result of the amendments. The key impact of the Group relates to disclosure of components of deferred tax assets and liabilities in the consolidated financial statement.

Issued but not yet effective HKFRSs

At the date of this announcement, certain amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group

		Effective for annual periods beginning on or after
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangement	1 January 2024
Amendments to HKAS 21	Lack of exchangeability	1 January 2025

The adoption of the new and amended standards and interpretation is not expected to have a material impact on the consolidated financial statements of the Group.

3. REVENUE

Revenue mainly comprises proceeds from property management services, related value-added services and city sanitation and cleaning services. An analysis of the Group's revenue by category for the years ended 31 December 2023 and 2022 is as follows:

	Timing of revenue recognition	Year ended 31 December	
		2023	2022
		RMB'000	*RMB'000*
Property management services	over time	**10,806,749**	10,029,210
Value-added services related to property management			
– Other value-added services	over time	**2,615,206**	3,667,730
– Sales of goods	at a point in time	**634,067**	366,920
City sanitation and cleaning services	over time	**1,387,427**	1,314,716
		15,443,449	15,378,576

4. OTHER INCOME

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest income:		
– from deposits and loans to third parties	**110,061**	98,443
– from loans to related parties	**766**	2,222
Tax incentives	**20,246**	44,480
Government grants	**58,414**	84,861
Rental income	**889**	1,015
Miscellaneous	**618**	1,225
	190,994	232,246

5. OTHER GAINS – NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Gains from disposal of investments accounted for using the equity method	**–**	403
Net fair value gains on financial assets at FVPL	**20,098**	–
Gains on redemption and disposal on financial assets at FVPL	**15,463**	222,358
Gains from bargain purchase on acquisition of a subsidiary	**186**	–
Gains/(Losses) from disposal of subsidiaries	**16,655**	(1,301)
Fair value gains/(losses) on put options	**14,976**	(31,086)
Fair value (losses)/gains on investment properties	**(10,100)**	23,271
Net foreign exchange gains/(losses)	**5,385**	(4,997)
Gains/(Losses) on disposal of PPE and investment properties	**26,183**	(3,277)
Miscellaneous	**3,572**	3,263
	92,418	208,634

6. FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Unwinding of discount on financial liabilities for put options	**312**	5,889
Interest expense of borrowings	**13,367**	3,284
Interest and finance charges paid/payable for lease liabilities	**5,753**	6,974
Interest expense of long-term payables	**696**	2,418
	20,128	18,565

7. INCOME TAX EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax:		
– PRC corporate income tax	**491,616**	715,759
Deferred income tax	**(141,805)**	(198,740)
Total income tax expense	**349,811**	517,019

8. EARNINGS PER SHARE

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the years ended 31 December 2023 and 2022.

The Company did not have any potential ordinary shares outstanding during the years ended 31 December 2023 and 2022. Diluted earnings per share was equal to basic earnings per share.

	Year ended 31 December	
	2023	2022
Profit attributable to shareholders of the Company *(RMB'000)*	**460,875**	1,839,601
Weighted average number of ordinary shares in issue *(in thousands)*	**1,420,001**	1,420,001
Basic earnings per share for profit attributable to the shareholders of the Company during the year *(expressed in RMB per share)*	**0.32**	1.30

9. PROPERTY, PLANT AND EQUIPMENT AND RIGHT-OF-USE ASSETS

	Buildings	Transportation equipment	Office equipment	Machinery	Subtotal	Right-of-use assets	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2023							
Cost	**165,578**	**180,700**	**59,875**	**413,847**	**820,000**	**147,666**	**967,666**
Accumulated depreciation and amortisation	**(34,165)**	**(48,990)**	**(28,813)**	**(105,489)**	**(217,457)**	**(95,950)**	**(313,407)**
Net book amount	**131,413**	**131,710**	**31,062**	**308,358**	**602,543**	**51,716**	**654,259**
Year ended 31 December 2023							
Opening net book amount	**131,413**	**131,710**	**31,062**	**308,358**	**602,543**	**51,716**	**654,259**
Additions	**4,576**	**36,965**	**8,498**	**164,643**	**214,682**	**79,279**	**293,961**
Other disposals	**(24,221)**	**(1,528)**	**(5,300)**	**(59)**	**(31,108)**	**(12,403)**	**(43,511)**
Acquisition of a subsidiary	**–**	**177**	**–**	**–**	**177**	**–**	**177**
Disposal of subsidiaries	**–**	**(358)**	**(57)**	**(7)**	**(422)**	**–**	**(422)**
Depreciation and amortisation charge	**(8,677)**	**(46,342)**	**(10,277)**	**(87,776)**	**(153,072)**	**(36,081)**	**(189,153)**
Closing net book amount	**103,091**	**120,624**	**23,926**	**385,159**	**632,800**	**82,511**	**715,311**
As at 31 December 2023							
Cost	**135,721**	**199,663**	**45,032**	**560,770**	**941,186**	**144,040**	**1,085,226**
Accumulated depreciation and amortisation	**(32,630)**	**(79,039)**	**(21,106)**	**(175,611)**	**(308,386)**	**(61,529)**	**(369,915)**
Net book amount	**103,091**	**120,624**	**23,926**	**385,159**	**632,800**	**82,511**	**715,311**
As at 1 January 2022							
Cost	163,887	121,582	42,353	303,724	631,546	157,479	789,025
Accumulated depreciation and amortisation	(30,645)	(26,937)	(17,603)	(49,530)	(124,715)	(83,611)	(208,326)
Net book amount	133,242	94,645	24,750	254,194	506,831	73,868	580,699
Year ended 31 December 2022							
Opening net book amount	133,242	94,645	24,750	254,194	506,831	73,868	580,699
Additions	31,547	59,133	17,111	129,400	237,191	29,399	266,590
Acquisition of subsidiaries	–	2,153	729	518	3,400	–	3,400
Other disposals	(29,856)	(2,168)	(318)	(19,795)	(52,137)	(6,129)	(58,266)
Depreciation and amortisation charge	(3,520)	(22,053)	(11,210)	(55,959)	(92,742)	(45,422)	(138,164)
Closing net book amount	131,413	131,710	31,062	308,358	602,543	51,716	654,259
As at 31 December 2022							
Cost	165,578	180,700	59,875	413,847	820,000	147,666	967,666
Accumulated depreciation and amortisation	(34,165)	(48,990)	(28,813)	(105,489)	(217,457)	(95,950)	(313,407)
Net book amount	131,413	131,710	31,062	308,358	602,543	51,716	654,259

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

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of sales	**135,052**	101,051
Selling and marketing expenses	**1,412**	991
Administrative expenses	**52,689**	36,122
	189,153	138,164

As at 31 December 2023, certain self-used PPE with net book value of RMB89,455,000 (2022: RMB90,706,000) were pledged as collateral for the Group's borrowings.

10. INTANGIBLE ASSETS

	Computer software *RMB'000*	Trademarks *RMB'000*	Customer relationship and backlogs *RMB'000*	Subtotal *RMB'000*	Goodwill *RMB'000*	Total *RMB'000*
As at 1 January 2023						
Cost	**52,026**	**63,342**	**1,824,143**	**1,939,511**	**3,314,901**	**5,254,412**
Accumulated amortisation	**(22,220)**	**(26,153)**	**(518,889)**	**(567,262)**	**–**	**(567,262)**
Net book amount	**29,806**	**37,189**	**1,305,254**	**1,372,249**	**3,314,901**	**4,687,150**
Year ended 31 December 2023						
Opening net book amount	**29,806**	**37,189**	**1,305,254**	**1,372,249**	**3,314,901**	**4,687,150**
Additions	**604**	**460**	**–**	**1,064**	**–**	**1,064**
Other disposals	**(104)**	**–**	**–**	**(104)**	**–**	**(104)**
Amortisation	**(5,373)**	**(3,596)**	**(194,060)**	**(203,029)**	**–**	**(203,029)**
Impairment losses	**–**	**–**	**–**	**–**	**(427,890)**	**(427,890)**
Closing net book amount	**24,933**	**34,053**	**1,111,194**	**1,170,180**	**2,887,011**	**4,057,191**
As at 31 December 2023						
Cost	**51,276**	**63,802**	**1,824,143**	**1,939,221**	**3,314,901**	**5,254,122**
Accumulated amortisation	**(26,343)**	**(29,749)**	**(712,949)**	**(769,041)**	**–**	**(769,041)**
Impairment losses	**–**	**–**	**–**	**–**	**(427,890)**	**(427,890)**
Net book amount	**24,933**	**34,053**	**1,111,194**	**1,170,180**	**2,887,011**	**4,057,191**
As at 1 January 2022						
Cost	49,694	63,342	1,592,110	1,705,146	3,123,231	4,828,377
Accumulated amortisation	(17,657)	(20,984)	(315,844)	(354,485)	–	(354,485)
Net book amount	32,037	42,358	1,276,266	1,350,661	3,123,231	4,473,892
Year ended 31 December 2022						
Opening net book amount	32,037	42,358	1,276,266	1,350,661	3,123,231	4,473,892
Additions	2,644	–	–	2,644	–	2,644
Acquisition of subsidiaries	–	–	232,033	232,033	191,670	423,703
Other disposals	(32)	–	–	(32)	–	(32)
Amortisation	(4,843)	(5,169)	(203,045)	(213,057)	–	(213,057)
Closing net book amount	29,806	37,189	1,305,254	1,372,249	3,314,901	4,687,150
As at 31 December 2022						
Cost	52,026	63,342	1,824,143	1,939,511	3,314,901	5,254,412
Accumulated amortisation	(22,220)	(26,153)	(518,889)	(567,262)	–	(567,262)
Net book amount	29,806	37,189	1,305,254	1,372,249	3,314,901	4,687,150

Amortisation of intangible assets has been charged to the consolidated income statement as follows:

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cost of sales	**198,393**	208,214
Administrative expenses	**4,636**	4,843
	203,029	213,057

Impairment tests for goodwill

Goodwill arising from business combinations in prior years has been allocated to the cash-generating units ("**CGUs**") of subsidiaries acquired in prior years for impairment testing. As at 31 December 2023, the recoverable amount of all CGUs have been assessed by an independent valuer or the management, which was determined based on value in use method. The value in use of all CGUs used discounted cash flow based on financial projections approved by management. By reference to the recoverable amount assessed by the independent valuer or the management as at 31 December 2023, the directors of the Company determined that impairment provision on goodwill of RMB427,890,000 was required as at 31 December 2023.

11. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(Note (a))*		
– Related parties	**3,387,830**	3,424,242
– Third parties	**4,319,695**	3,505,099
	7,707,525	6,929,341
Less: allowance for impairment of trade receivables	**(1,053,795)**	(776,135)
	6,653,730	6,153,206
Other receivables		
– Related parties	**875,453**	896,161
– Third parties *(Note (b))*	**2,474,646**	2,989,207
	3,350,099	3,885,368
Less: allowance for impairment of other receivables	**(266,888)**	(65,703)
	3,083,211	3,819,665
Prepayments		
– Related parties	**287,396**	300,125
– Third parties	**1,110,757**	442,615
	1,398,153	742,740
Less: allowance for impairment of prepayment	**(4,716)**	–
	1,393,437	742,740
Subtotal	**11,130,378**	10,715,611
Less: non-current portion of prepayments	**(923,797)**	(362,280)
Current portion of trade and other receivables and prepayments	**10,206,581**	10,353,331

Notes:

(a) Trade receivables mainly represented the receivables of outstanding property management service fee and the receivables of value-added service income and city sanitation and cleaning service income.

Property management services income, value-added service income and city sanitation and cleaning service income are received in accordance with the terms of the relevant services agreements, and due for payment upon the issuance of demand note.

As at 31 December 2023 and 2022, the aging analysis of the trade receivables based on recognition date were as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0-180 days	**2,679,194**	3,672,465
181-365 days	**1,333,028**	1,906,021
1 to 2 years	**2,802,837**	855,678
2 to 3 years	**565,314**	247,669
Over 3 years	**327,152**	247,508
	7,707,525	6,929,341

Trade receivables of RMB65,422,000 (31 December 2022: RMB10,000,000) were pledged as collateral for a subsidiary's borrowings. The associated secured borrowings amounted to RMB44,167,000 (31 December 2022: RMB7,092,000).

(b) Included in other receivables as at 31 December 2023, there were advances to third parties of RMB1,223,040,000 (2022: RMB1,052,000,000), which are interest bearing ranging from 2% to 7% per annum (31 December 2022: 2% to 8% per annum) and to be repaid within one year.

(c) As at 31 December 2023 and 2022, trade and other receivables were denominated in RMB and the fair values of trade and other receivables approximated their carrying amounts.

12. CASH AND CASH EQUIVALENTS

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Cash at bank and in hand:		
– Denominated in RMB	**4,066,843**	3,798,294
– Denominated in HK$	**301**	966
– Denominated in US$	**2,094**	2
– Denominated in AUD$	**5,627**	–
	4,074,865	3,799,262

The conversion of RMB denominated balances into foreign currencies and the remittance of such foreign currencies denominated bank balances and cash out of the PRC are subject to relevant rules and regulation of foreign exchange control promulgated by the PRC government.

13. SHARE CAPITAL

	Number of shares		Share capital	
	31 December 2023	31 December 2022	**31 December 2023**	31 December 2022
			RMB'000	*RMB'000*
Issued and fully paid	**1,420,000,800**	1,420,000,800	**1,420,001**	1,420,001

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**57,824**	76,942
– Third parties	**2,886,533**	2,588,139
	2,944,357	2,665,081
Other payables		
– Related parties	**104,052**	252,927
– Third parties	**2,318,913**	1,820,781
	2,422,965	2,073,708
Dividends payables	**118,664**	117,126
Accrued payroll	**1,047,219**	1,010,843
Other taxes payables	**153,057**	162,042
	6,686,262	6,028,800
Less: non-current portion of other payables	**(2,891)**	(6,672)
Current portion of trade and other payables	**6,683,371**	6,022,128

As at 31 December 2023 and 2022, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Up to 1 year	**2,624,448**	2,492,235
1 to 2 years	**264,720**	120,633
2 to 3 years	**35,482**	29,424
Over 3 years	**19,707**	22,789
	2,944,357	2,665,081

As at 31 December 2023 and 2022, trade and other payables were all denominated in RMB and the fair values of trade and other payables approximated their carrying amounts.

15. DIVIDENDS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Proposed final dividend of RMB0.06 (2022: nil) per share *(Note (a))*	**85,200**	–
Interim dividend declared of RMB0.025 per share *(Note (b))*	**35,500**	–
	120,700	–

Notes:

(a) A final dividend of RMB0.06 per share for the year ended 31 December 2023, totalling RMB85,200,000 have been proposed by the Board of the Company and are subject to the approval of the forthcoming annual general meeting to be held on 29 May 2024. These dividend will be distributed out of the Company's retained earnings. These consolidated financial statements have not reflected the proposed dividend payable.

(b) The interim dividend RMB0.025 per share, totalling RMB35,500,000, has been approved at the extraordinary general meeting on 8 December 2023 and paid in cash in January 2024.

CHAIRMAN'S STATEMENT

Dear Shareholders,

We are pleased to present the audited consolidated results of A-Living Smart City Services Co., Ltd. ("**A-Living**" or the "**Company**") and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023.

In 2023, China's economy showed a trend of growing initially and stabilizing subsequently. After the pandemic abated, residents' pent-up consumption demand was released, and the gross domestic product (GDP) of China grew steadily year-on-year. However, due to the impact of geopolitical tensions and tightening monetary policies, different economies' performances became even more divergent with decelerating growth and uncertain outlooks. China's economic recovery was still facing various challenges. In the past, the real estate industry experienced rapid growth, tightened regulations and then a gradual recovery. The meeting of the Political Bureau of the CPC Central Committee clarified that there were major changes in the relationship between supply and demand in the real estate market, and then optimized the regulatory policies to enable the industry to develop in an orderly manner. However, property development and sales remained sluggish in 2023, with various data indicating varying degrees of declines, and it will take some time for the market to recover.

Although the property management sector has been affected by macroeconomic fluctuations, the COVID-19 pandemic and the profound adjustment to the upstream real estate market in the past few years, property management companies continued to grow in terms of their business scale, and extend the scope of their services gradually, showing a certain degree of resilience in their development. However, due to the shrinkage of the market of new properties, the intensifying competition in the markets for property management services for existing properties and non-residential properties, and the homogenization of the services of property management companies, property management companies as a whole saw their business growth slow down, and they are exploring new models of high-quality development. Under the new circumstances and with a competitive landscape, there is a consensus that the industry should focus on the service and quality.

BUSINESS REVIEW

During the Year, the Group adhered to the development strategy of "brand enhancement, steady development, enhancing competence, facilitating integration", refocused on the essence of service and operation, and pursued quality growth with the non-cyclical businesses as the core. Despite the fluctuations in the macro environment and the challenges brought by competition in the industry, all the staff of the Group worked together to ensure good quality and to effectively enhance property owners' experience of the services. Meanwhile, the Group adjusted its strategy according to the current situation, focused on operating efficiency, paid close attention to payment collection and cash flow, and improved management efficiency with refined operations. During the Year, the Group continued to be recognized by the industry and the market for its performance, and was ranked second among the "2023 Top 100 Property Management Companies in China" and ranked among the top-tier property management companies in terms of the market expansion of third-party projects. With its industry-leading overall strengths, the brand value of A-Living exceeded RMB21.2 billion.

Despite the challenges brought by the macro environment and industry fluctuations, the Group's overall operation was stable, and its property management scale grew steadily. During the Year, the Group's revenue was RMB15,443.4 million, representing an increase of 0.4% as compared with the corresponding period of last year. Gross profit was RMB2,645.6 million. Gross profit margin was 17.1%. Net profit was RMB698.7 million. Net profit margin was 4.5%. Profit attributable to the Shareholders was RMB460.9 million. Basic earnings per share were RMB0.32. As at 31 December 2023, the gross floor area (GFA) under management and the contracted GFA of the Group were 590.5 million sq.m. and 766.6 million sq.m., respectively. Third-party projects accounted for 80.8% of the total contracted GFA.

Refocusing on its original aspiration to serve property owners good service is the core of the Group's strategy for 2023. During the Year, the Group continued to allocate resources to the service front line of its projects, promoted service classification and standard grading, raised standards of various services and actively obtained industry certifications, so as to effectively improve property owners' satisfaction. The Group always cares about society and property owners, fulfills its corporate social responsibility, improves the quality of basic-level services, and has followed the directive on Party building by deepening the basic-level governance through the mode of "building communities through the joint efforts of five parties", so as to improve property owners' satisfaction and community experience continuously. During the Year, in the face of extreme weather and natural disasters such as frequent typhoons and rainstorms, the Group's front-line staff swung for the fences, launching various emergency plans, deploying in advance and implementing various protection measures efficiently to ensure the safety of the communities. After the recovery from the pandemic in 2023, a number of tourist attractions and cultural and sports venues managed by the Group have recorded a peak in tourist traffic. With solid management experience and sufficient deployment, the Group ensured the smooth operation of various cultural and tourism projects during major holidays, and it was highly praised by the government, property owners and tourists for that. During the Year, the Group paid close attention to service quality and standards, and continued to focus on boosting both quality and professional capabilities at the front line through 400 Hotline Call Center, regular or special quality check, online and offline inspections and service satisfaction surveys to effectively solve problems at the projects, identify major risks and potential safety hazards and ensure the consistency of service quality. In 2023, on the basis of management positioning and differentiated service needs, the Group completed the grading of services at more than 600 projects, and improved the grading system of "management positioning + service grading" for residential property projects. Furthermore, the Group facilitated the standardization and led the high-quality development of the industry, thus manifesting its advantages as a leading enterprise. During the Year, A-Living's Fandeng Project at La Cité Greenville Zhongshan, a pilot project of the national-level system of advanced standards of residential property service, passed the interim evaluation successfully, thus demonstrating consistently the Group's role as a benchmark for the industry. The Group took the lead in the development of industry standardization and completed the application of a property service standard, namely the "Residential Property Service Management Code", which is expected to be published in 2024.

The Group has been implementing the market-oriented development strategy and continuously consolidated its first-mover advantage in the provision of property management services for the existing residential properties and non-residential properties. It ranked top in terms of the expansion of the third-party market for months during the Year. Currently, even though more opportunities for market expansion emerge, it is more difficult to develop the market and the competition becomes more intensive. By adhering to the asset-light strategy, the Group improved its market expansion system and carefully selected projects based on scale and profitability. During the Year, the Group won the bids for a number of quality projects in strategically important cities nationwide, covering high-end residential buildings, commercial properties and offices, transportation hubs, government agencies, campus and projects in other niche markets. In the residential property sector, the Group pursued the strategy of further developing the markets of high-tier cities. In the mature markets such as the Guangdong-Hong Kong-Macao Greater Bay Area and Hainan, the Group has successively won the bids for a number of mid to high-end, large-scale, newly developed or existing residential projects, and continued to give play to its brand influence in the local markets. In the non-residential property sector, the Group enhanced its existing advantages by winning bids for projects such as Shanghai Rail Transit Line 9 and Line 10 consecutively, thus further improving the rail transit service network in high-tier cities. In its services to corporations, the Group won the bids for various high-quality projects from large enterprises and public institutions, including several China Mobile's projects nationwide, as well as the project of Tianjin Branch of CNOOC, Lingang Building of CRCC and Fujian Mintong Building of Postal Savings Bank of China.

In terms of the business development along the industrial value chain, during the Year, the Group carefully sorted out its business strategy, refined its business mix and structure, and concentrated on the development of high-quality businesses with less investment, good cash flow, high efficiency and sustainability. In the field of value-added services, the Group continued with a market-oriented approach and specialization in its development, balanced investment and return, continued to adjust business mix, and further developed three major businesses, namely, household living services, value-added services to institutions and enterprises, and energy-saving renovation. Among them, the value-added services to institutions and enterprises have generated strong synergy with the Group's property management business. The Group's group catering brand, Lemeishan（樂美膳）, has obtained its first contract for servicing a high-end headquarters project in a commercial and office property, and started to operate a smart staff canteen in Guangzhou Yiyun Technology Park（廣州益雲科技園）. In the field of city services, the Group paid more attention to cash flow and risk management and control, and made every effort to collect payments, so as to improve cash flow. At the same time, the Group improved its regional distribution of city services and concentrated its resources on seeking opportunities in high-tier cities that can create synergies with its public service business. During the Year, the Group continued to develop high-quality projects in regions with advantages such as the Guangdong-Hong Kong-Macao Greater Bay Area and Shanxi Province, and promoted convenience-for-people services such as smart public toilets. Leveraging its rich experience, the Group once again won the bid for a large-scale city service project with an annualized contract value of over RMB100 million during the Year, thus preliminarily attaining the economies of scale in Shenzhen. Meanwhile, the Group consolidated its city service brand system and enhanced the application of intelligent devices, thus effectively improving efficiency and controlling costs.

In terms of digitalized operation and management, the Group continued to consolidate the master data system that supports its business operation, standardized the operation and management of the projects, and strengthened the quality, risk and safety control. The Group continuously expanded the coverage of the business-finance integration system to effectively improve the efficiency of fee collection and the control of costs and budgets. The Group continued to promote the integration through informatization such as the extensive application of cross-organizational processes across member companies, which significantly enhanced the efficiency of work processes and cost control and ensured the effective management of outsourced personnel. In organizational integration, the Group has maintained efficient organization and, with the corporate culture as its guide, continuously optimized resource allocation, improved both quality and efficiency, deepened the integration, sought common ground while reserving differences, and achieved mutual benefits. The Group continued to promote the integration of its region-level operations, and strengthened the operation capabilities of its city companies, with the aim of realizing efficient quality management and raising operational efficiency. In post-acquisition management, the Group's business units substantially achieved in-depth integration in management and operation. During the Year, the Group further deepened equity cooperation and achieved a high degree of alignment of interests. Meanwhile, the Group strengthened and adjusted the member companies' operation by adopting the "enterprise-specific strategies" according to their different development status and needs so as to improve the quality of their operation and management.

PROSPECT AND STRATEGY

In 2024, the national economy is rebounding and improving. The government has set the tone for the economic development – "pursuing progress while ensuring stability, consolidating stability through progress, and establishing the new before abolishing the old", thus laying a foundation for the recovery and growth of various industries. The policy on the real estate sector has undergone several rounds of adjustment and has been relaxed to the same degree as it was a decade ago. The industry will enter a new stage of stable development in the future after the risks are mitigated. In the past, property management companies grew rapidly on the back of an investment boom, but they also encountered many problems while developing. With the tremendous changes in the upstream industry and the deep valuation adjustment of the property management sector, property management companies need to actively embrace the changes in the market, examine their core competitiveness and reshape their own unique values.

To cope with the new situation and new competitive landscape, the Group will refocus on the "essence of service, operation, management and growth". By taking market-oriented expansion and professionalization as the way forward for its development, the Group will focus on and further develop its sustainable and core businesses, and thoroughly refine the operation of its main business in order to establish a model for high-quality and sustainable development.

Property management is the fundamental segment of the Group's business. In the new economic cycle, the competition in the market of existing properties is bound to be fierce, and only the enterprises with quality that can withstand the tests can surmount the cycles. Service quality is the foundation of all businesses. The Group will put property owners first, focus on their needs, go deep into the front line of the projects, listen to the voices of the grassroots employees and provide more resources to them, and firmly adhere to its original aspiration to provide property owners with good service, so as to win their trust and support. In the future, the Group will focus on enhancing its professionalism and operation capability to further improve the service standard system, relentlessly pursue excellence in management, keep clear of the redline and adhere to the principles, refine both the cost control and supplier management, and plug loopholes. The property management industry is a service industry that requires refined operation and efficient management to form a virtuous cycle of high-quality services, high satisfaction of property owners and high management fee collection rate. In terms of market expansion, the Group will pay more attention to the quality and conversion of projects, further expand the markets of high-tier cities, enhance its advantages in regional operations and various project types, and continue to undertake benchmark projects.

The Group has been actively building up the value chain of its business and has preliminarily achieved economies of scale and formed a distinctive development model since its listing. In the future, the Group will work steadily towards our long-term goals, adhere to the asset-light business model, maintain a balance between investment and returns, and develop innovative businesses selectively. The value-added services to property owners will focus on the services to community, the government and enterprises, improve profitability by placing emphasis on living services, constantly develop the value-added services to institutions with a market-oriented approach, and pilot the integrated service to the government and enterprises by starting with its group catering business. Meanwhile, the Group will further strengthen the application of information technology and build a middle platform for data, so as to support the efficient operation of business and unlock economic benefits. In terms of city services, the Group will adhere to the asset-light model, further improve cash flow and control the risk of payment collection, selectively acquire high-quality projects based on the principle of putting stability first, and generate business synergy with the existing services to public buildings.

In terms of organizational management and integration, the Group adheres to the values of inclusion and diversity, and will further optimize the organizational structure and improve management efficiency, so that all business units can give full play to their professional advantages, brand advantages and geographical advantages. The Group not only must forge ahead together as a "group army" with combined advantages, but also pursue the policy of "letting a hundred flowers blossom" to let individual business units retain their characteristics, persistently implementing the "region-specific strategies" and "enterprise-specific". Moreover, the Group will effectively allocate resources to the front line and streamline management levels, so as to achieve a flat management structure. The Group will continue to develop its smart service capability, implement informatization, accelerate digitalization, and improve management efficiency. In the future, the Group will gradually improve and upgrade the information systems for its various businesses and finance, build a middle platform for data, consolidate data governance and effectively realize cost control. The Group will enhance its digital service capability with a focus on the needs of property owners and the quality of basic property management services, improve the efficiency of monitoring the data about production and operation, and further improve the functions of the digital applications for property owners, so as to make the digital service more convenient.

"A millet one sows in spring, ten thousand grains one harvests in autumn thereby". The property management industry is facing changes and is being reshaped. Industry players need to be determined enough to implement strategies, focus on doing difficult and right things and devote time to deeply developing the core businesses to surmount the economic cycles. In 2024, the Group will continue with its pragmatic approach and remain result-oriented. It will fulfil the industry's mission by refocusing itself on its original aspiration to better serve property owners, meet the needs of people's livelihood with higher quality standards, actively integrate itself into basic-level social governance, consolidate the foundation of the brand and the team, and increase both the corporate value and social value. The Group will adhere to longtermism and its original aspiration, work together to facilitate social development and provide quality services, thereby creating long-term value for its clients, employees, shareholders and business partners.

ACKNOWLEDGEMENT

On behalf of the board (the "**Board**") of directors (the "**Directors**") of the Company, we would like to extend our heartfelt gratitude to our Shareholders and customers for their enormous support and to our staff members for their dedicated efforts, which contributed to the growth of the Group.

Chan Cheuk Hung/Huang Fengchao
Co-Chairman of the Board

Hong Kong, 25 March 2024

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2023, the overall global economy experienced a relatively weak recovery, while the real estate market in the PRC experienced significant changes in supply and demand dynamics, posing challenges to property management companies in such business environment. The Group proactively addressed these market changes while pursuing quality-driven development and focusing on service quality. The Group made comprehensive efforts to enhance the quality control and service standards of projects and strengthened cash collection and cash flow management, with a focus on optimising operational efficiency and strengthening its risk management capabilities. Moreover, the Group continuously leveraged its market advantages, and intensively cultivated its core business activities to achieve sustainable growth.

During the Year, the revenue of the Group amounted to RMB15,443.4 million, representing an increase of 0.4% as compared with RMB15,378.6 million in 2022. Profit attributable to the shareholders of the Company amounted to RMB460.9 million, representing a decrease of 74.9% as compared with RMB1,839.6 million in 2022. As at 31 December 2023, the GFA under management and contracted GFA of the Group reached 590.5 million sq.m. and 766.6 million sq.m., respectively.

Moreover, the Group consistently received recognitions from the society and the industry, and ranked the 2nd of the "2023 Top 100 Property Management Companies in China" in terms of comprehensive strength in the industry by China Index Academy, with its brand value increasing to more than RMB20 billion. The Group was also awarded the "China's Leading Professional Property Services Brand of 2023", "Top 2 Listed Property Management Company in terms of Comprehensive Capabilities in China for 2023" and "2023 Listed Property Management Companies in China with Excellent ESG Practice".

FINANCIAL REVIEW

Revenue

The Group's revenue was derived from four major business lines: (i) property management services; (ii) property owners value-added services; (iii) city services; and (iv) extended value-added services.

For the year ended 31 December 2023, the Group's revenue amounted to RMB15,443.4 million (2022: RMB15,378.6 million), representing an increase of 0.4% as compared with that of the last year.

Among which, for the year ended 31 December 2023, revenue from property management services, property owners value-added services and city services businesses of the Group totalled RMB14,528.6 million, representing a year-on-year increase of 6.3%, and accounted for 94.1% of the Group's total revenue.

	For the year ended 31 December				
	2023	**Percentage of revenue**	2022	Percentage of revenue	**Growth rate**
	(RMB million)	*%*	*(RMB million)*	*%*	*%*
Property management	**10,806.7**	**70.0%**	10,029.2	65.2%	7.8%
– Residential property projects	**4,544.2**	**29.4%**	4,172.0	27.1%	8.9%
– Non-residential property projects	**6,262.5**	**40.6%**	5,857.2	38.1%	6.9%
Property owners value-added services	**2,334.5**	**15.1%**	2,320.0	15.1%	0.6%
City services	**1,387.4**	**9.0%**	1,314.7	8.6%	5.5%
Subtotal:	**14,528.6**	**94.1%**	13,663.9	88.9%	6.3%
Extended value-added services	**914.8**	**5.9%**	1,714.7	11.1%	-46.6%
– Sales centre property management services	**458.3**	**3.0%**	769.0	5.0%	-40.4%
– Other extended value-added services	**456.5**	**2.9%**	945.7	6.1%	-51.7%
Total	**15,443.4**	**100.0%**	15,378.6	100.0%	0.4%

Property management services

Property management services, which include security, cleaning, greening, gardening, repair and maintenance, etc., are the main source of revenue of the Group.

During the Year, revenue from property management services amounted to RMB10,806.7 million (2022: RMB10,029.2 million), representing an increase of 7.8% as compared with that of the last year. Among which, revenue from residential property projects amounted to RMB4,544.2 million (2022: RMB4,172.0 million), representing an increase of 8.9% as compared with that of the last year; revenue from non-residential property projects amounted to RMB6,262.5 million (2022: RMB5,857.2 million), representing an increase of 6.9% as compared with that of the last year.

The breakdown of the Group's total GFA under management

As at 31 December 2023, the Group's total GFA under management was 590.5 million sq.m.. Among which, the GFA under management from third-party projects accounted for approximately 83.3%. Third-party projects accounted for the majority of the GFA of the Group.

The project portfolio for GFA under management

The Group has established balanced and diversified business portfolio layout with first-mover advantage in niche markets including residential property, public buildings and commercial and office buildings, etc. As at 31 December 2023, for the GFA under management of the Group, the proportion of residential property business portfolio accounted for 42.4% (as at 31 December 2022, 43.6%) and the proportion of non-residential property business portfolio accounted for 57.6% (as at 31 December 2022, 56.4%) (public buildings accounting for 46.0%, commercial buildings and others accounting for 11.6%).

The geographic coverage for GFA under management

As at 31 December 2023, the number of Group's projects under management reached 4,600, covering 31 provinces, municipalities and autonomous regions and 206 cities nationwide.

By region, 33.7% of the Group's GFA under management was located in the Yangtze River Delta region, 18.9% in the Guangdong-Hong Kong-Macao Greater Bay Area, 9.0% in the Shandong Peninsula city cluster, 7.7% in the Chengdu-Chongqing city cluster, while the remaining spread across other regions in the PRC.

The charging mode

The lump sum contract basis, primarily adopted by the Group, is conducive to improving service quality and operational efficiency.

The breakdown of the Group's total contracted GFA

The contracted GFA, which is defined by the Group as areas agreed in the contracts signed with property developers or property owners for providing property management services, includes delivered and to-be-delivered (reserved) GFA, and the reserved GFA that will become the Group's GFA under management and enlarge the source of the Group's revenue in the future.

As at 31 December 2023, the Group's contracted GFA reached 766.6 million sq.m.. The contracted GFA from third-party projects accounted for approximately 80.8% of the total contracted GFA.

Property owners value-added services

Property owners value-added services mainly include living and comprehensive services, home improvement services, community space and other services, and value-added services to institutions and enterprises, which focus on improving the work and living experience of property owners and residents at the properties under management and preserving and increasing the value of their properties.

During the Year, the revenue from property owners value-added services amounted to RMB2,334.5 million, representing an increase of 0.6% as compared with RMB2,320.0 million in 2022, and accounting for approximately 15.1% of the total revenue.

(1) Living and comprehensive services include property maintenance, housekeeping, courtyard gardening, community retail, energy-saving renovation, express delivery, tourism, community second-hand leasing and sales services, comprehensive consulting services, etc. During the Year, the Group optimised its supply chain based on the needs of property owners, and promoted traffic conversion through diversified channels such as live streaming, online communities, direct promotions through property service personnels and offline activities. During the Year, revenue from living and comprehensive services amounted to approximately RMB1,342.5 million, representing an increase of 16.4% as compared with RMB1,152.9 million in 2022, and accounted for approximately 57.5% of revenue from property owners value-added services.

(2) Home improvement services primarily include decoration, turnkey furnishing and community renewal services, etc. During the Year, revenue from home improvement services amounted to approximately RMB171.1 million, representing a decrease of 50.8% as compared with RMB348.1 million in 2022 and accounting for approximately 7.3% of revenue from property owners value-added services.

(3) Community space operation and other services primarily include club house operation services, property operation services, community-based advertising operation, parking lot management services and community asset operation, etc. During the Year, revenue from community space operation and other services amounted to approximately RMB509.9 million, representing a decrease of 0.8% as compared with RMB514.0 million in 2022, and accounted for approximately 21.9% of the revenue from property owners value-added services.

(4) Value-added services to institutions and enterprises include featured value-added services for public buildings, such as catering, commuting services and material procurement services, as well as featured value-added services for commercial and office buildings, such as customized business platform for enterprises, conferencing services, centralised procurement and retailing for enterprises, etc. During the Year, the Group successfully established a group catering business platform "Lemeishan"（樂美膳）and expanded its market presence, securing projects such as the Midea Science and Technology Innovation Centre and Dongguan Public Security Bureau. Additionally, the Group developed a benchmark project of Guangzhou Baiyun Yiyun Industrial Park, which was linked to the property management service projects in the park and was highly recognised by the property owners. Revenue from value-added services to institutions and enterprises amounted to approximately RMB311.0 million, representing an increase of 1.9% as compared with RMB305.0 million in 2022, and accounting for approximately 13.3% of revenue from property owners value-added services.

City services

City services mainly include street cleaning and maintenance, domestic refuse collection and transportation, refuse classification, landscaping and gardening maintenance, municipal facility maintenance, urban space operation, community coordination and governance, smart city management solutions, etc. Currently, the Group's city service projects are mainly divided into single project contracting model and integrated sanitation services, etc.

Adhering to the philosophy of "Mutual development with integration and driven by intelligence", the city services business segment of the Group has built a comprehensive city service system covering three major areas, namely mature cities, emerging urban areas and towns, with a focus on diversified services such as rural living environment improvement, county and town-wide services and city integrated services, with its business scope spanning the entire life cycle of city operations.

During the Year, revenue from city services reached RMB1,387.4 million, representing an increase of 5.5% as compared with RMB1,314.7 million in 2022, and accounting for approximately 9.0% of the total revenue.

Extended value-added services

Extended value-added services primarily include sales centre property management services and other extended value-added services for property developers.

During the Year, the Group recorded revenue from extended value-added services of RMB914.8 million (2022: RMB1,714.7 million), representing a decrease of 46.6% from last year, and accounting for approximately 5.9% of the total revenue, including:

(1) Sales centre property management services (accounting for 50.1% of the revenue from the extended value-added services): the revenue for the Year amounted to RMB458.3 million, representing a decrease of 40.4% as compared with RMB769.0 million in 2022. The decrease of revenue from sales centre property management services was primarily due to the decrease in demand for sales centre services as a result of the continuous decline in property sales and limited incremental supply in real estate market.

(2) Other extended value-added services (accounting for 49.9% of the revenue from the extended value-added services): include property agency services and housing inspection services, etc. The revenue for the Year amounted to RMB456.5 million, representing a decrease of 51.7% as compared with RMB945.7 million in 2022, mainly due to the decrease in demand for related services as a result of the limited new home deliveries from developers and the sluggish sales of new properties.

Cost of sales

The Group's cost of sales primarily consists of employee salaries and benefit expenses, cleaning expenses, security charges, maintenance costs, utilities, greening and gardening expenses, cost of consumables, depreciation and amortisation charges and others.

During the Year, the Group's cost of sales was RMB12,797.9 million (2022: RMB11,994.6 million), representing a year-on-year increase of 6.7%. The increase was primarily due to the increase in expenses related to quality improvement of the Group during the Year in order to enhance its service reputation, and the corresponding increase in various inputs from the gradual growth of business scale and the development of market-oriented business. Overall, the Group's growth of the cost of sales was higher than that of revenue, primarily because of the change in revenue structure and the decrease in the proportion of business with higher gross profit margin.

Gross profit and gross profit margin

	For the year ended 31 December				
	2023		2022		
	Gross profit *(RMB million)*	**Gross profit margin** *%*	Gross profit *(RMB million)*	Gross profit margin *%*	**Growth rate** *%*
Property management services	**1,769.5**	**16.4%**	1,918.7	19.1%	-7.8%
Property owners value-added services	**499.9**	**21.4%**	794.3	34.2%	-37.1%
City services	**231.9**	**16.7%**	253.3	19.3%	-8.4%
Subtotal:	**2,501.3**	**17.2%**	2,966.3	21.7%	-15.7%
Extended value-added services	**144.3**	**15.8%**	417.7	24.4%	-65.5%
Total	**2,645.6**	**17.1%**	3,384.0	22.0%	-21.8%

During the Year, the Group's gross profit amounted to RMB2,645.6 million, representing a decrease of 21.8% as compared with RMB3,384.0 million in 2022. Gross profit margin decreased by 4.9 percentage points to 17.1% from 22.0% in 2022.

Excluding the impact from extended value-added service businesses, the total gross profit of property management services, property owners value-added services and city services was RMB2,501.3 million, representing a year-on-year decrease of 15.7% as compared with RMB2,966.3 million in 2022; the gross profit proportion increased to 94.5% from 87.7% in 2022.

– The gross profit margin of property management services was 16.4% (2022: 19.1%), representing a decrease of 2.7 percentage points as compared with 2022, which was mainly due to (1) the increase in expenses for equipment maintenance and repair work as a result of the enhancement of service quality; (2) the increase in the project labour costs and energy consumption. Excluding the effect of amortization of intangible assets due to M&A, the gross profit was RMB1,912.5 million and the gross profit margin was 17.7%.

– The gross profit margin of property owners value-added services was 21.4% (2022: 34.2%), representing a decrease of 12.8 percentage points as compared with 2022, which was mainly due to (1) the adjustment of business structure, resulting in the decrease in the proportion of certain businesses with higher gross profit margin but affected by the real estate cycle, and the focus on the living and comprehensive services that are strongly related to management services; (2) the increase in customer acquisition costs.

– The gross profit margin of city services was 16.7% (2022: 19.3%), representing a decrease of 2.6 percentage points as compared with 2022, which was mainly due to (1) the increase in costs such as equipment maintenance and depreciation as a result of the increase in business scale, and the upfront investment costs for the expansion of high-quality projects; (2) the focus on project quality and the withdrawal of certain projects with poor payment collection and higher gross profit margin.

– The gross profit margin of extended value-added services was 15.8% (2022: 24.4%), representing a decrease of 8.6 percentage points as compared with 2022, which was mainly due to the decrease in demands and business scale resulting from the downturn of the real estate industry as well as the relative high input costs.

Selling and marketing expenses

During the Year, the Group's selling and marketing expenses amounted to RMB101.4 million (2022: RMB93.4 million), accounting for 0.7% of the revenue, representing an increase of 0.1 percentage point as compared with that of last year.

Administrative expenses

During the Year, the Group's administrative expenses amounted to RMB841.1 million, representing a decrease of 1.2% as compared with RMB851.7 million in 2022, and accounting for 5.4% of the revenue, representing a decrease of 0.1 percentage point as compared with 2022.

Net impairment losses on financial assets

During the Year, the Group's net impairment losses on financial assets amounted to RMB534.8 million (2022: RMB465.6 million), representing an increase of 14.9% as compared with last year, which was mainly due to the increase in credit risk of several customers.

Other income

During the Year, other income of the Group amounted to RMB191.0 million (2022: RMB232.2 million), representing a decrease of 17.8% as compared with last year, which was mainly due to the movement in tax credits and government grants.

Income tax

During the Year, the Group's income tax expense was RMB349.8 million (2022: RMB517.0 million). The income tax rate was 33.4% (2022: 21.1%). The income tax rate for the Year increased 12.3 percentage points year on year, which was mainly due to the impact of accounting treatment of goodwill impairment on income tax.

Profit

During the Year, the Group's net profit was RMB698.7 million, representing a decrease of 63.9% as compared with RMB1,934.9 million in 2022, which was mainly attributable to (i) the increase in the proportion of non-cyclical business as a result of the adjustment of business structure and the increase in operating costs; and (ii) an impairment provision made for trade and other receivables and goodwill on prudent manner. Net profit margin was 4.5%, representing a decrease of 8.1 percentage points as compared with 12.6% in 2022.

Adjusted core net profit was RMB1,551.8 million, representing a decrease of 30.3% as compared with RMB2,226.8 million in 2022, and adjusted core net profit margin was 10.0%, representing a decrease of 4.5 percentage points as compared with 14.5% in 2022. The adjusted core net profit for property management services, property owners value-added services and city services was RMB1,458.2 million, representing a decrease of 20.5% as compared with RMB1,835.3 million in 2022, and the adjusted core net profit margin was 10.0%, representing a decrease of 3.4 percentage points as compared with 13.4% in 2022.

Profit attributable to the Shareholders for the year was RMB460.9 million, representing a decrease of 74.9% as compared with RMB1,839.6 million in last year. Basic earnings per share were RMB0.32, representing a decrease of 75.4% as compared with last year.

Current assets, reserve and capital structure

During the Year, the Group maintained a sound financial position. As at 31 December 2023, current assets amounted to RMB16,488.0 million, representing an increase of 7.8% from RMB15,300.9 million as at 31 December 2022. As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB4,074.9 million, representing an increase of 7.3% from RMB3,799.3 million as at 31 December 2022. As at 31 December 2023, the Group's cash and cash equivalents were mainly held in Renminbi, Hong Kong dollars, United States dollars and Australian dollars.

As at 31 December 2023, the Group's total equity was RMB14,449.1 million, representing an increase of RMB324.5 million or 2.3% as compared with RMB14,124.6 million as at 31 December 2022, which was primarily due to the profit contribution achieved during the Year.

Property, plant and equipment

The Group's property, plant and equipment mainly comprise buildings, office equipment, machinery equipment and other fixed assets. As at 31 December 2023, the net value of the Group's property, plant and equipment amounted to RMB632.8 million, representing an increase of 5.0% as compared with RMB602.5 million as at 31 December 2022.

Other intangible assets

As at 31 December 2023, the net book value of other intangible assets of the Group was RMB1,170.2 million, representing a decrease of 14.7% as compared with RMB1,372.2 million as at 31 December 2022. Intangible assets of the Group mainly included (i) RMB63.8 million from the trademark value of acquired companies; (ii) RMB1,824.1 million generated from customer relationship and backlogs attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortization of trademarks, customer relationships and software. Trademarks, customer relationship and software had a specific validity period and were carried at cost less accumulated amortization.

Goodwill

The goodwill was primarily derived from the expected future business developments of the acquired companies, expansion of market coverage, diversification of service portfolio, integration of value-added services and improvement of management efficiency.

During the Year, the Group recorded an impairment of goodwill in the amount of RMB427.9 million, which was primarily due to the fact that the business development of some of the subsidiaries acquired in previous years did not proceed as expected, and the Group adjusted this part of the business, resulting in a decrease in its revenue and profit. As at 31 December 2023, the Group's goodwill was RMB2,887.0 million after the aforesaid impairment, representing a decrease of 12.9% as compared with RMB3,314.9 million as at 31 December 2022.

Financial assets at fair value through profit or loss ("FVPL")

As at 31 December 2023, the Group's financial assets at FVPL amounted to RMB2,003.4 million, representing an increase of 91.4% as compared with RMB1,046.8 million as at 31 December 2022, which was mainly due to the Group's purchase of several financial assets to increase the return on its fund.

Trade and other receivables and prepayments

As at 31 December 2023, trade and other receivables and prepayments (including current and non-current portions) amounted to RMB11,130.4 million, representing an increase of 3.9% from RMB10,715.6 million as at 31 December 2022. Among which, trade receivables amounted to RMB7,707.5 million, representing an increase of 11.2% as compared with RMB6,929.3 million as at 31 December 2022, which was mainly due to the increase in the trade receivables from business expansion and the delay in the collection for existing property projects due to the downward market environment. Other receivables amounted to RMB3,350.1 million, representing a decrease of 13.8% from RMB3,885.4 million as at 31 December 2022, which was mainly due to the recovery of receivables from third parties.

Trade and other payables

As at 31 December 2023, trade and other payables (including current and non-current portions) amounted to RMB6,686.3 million, representing an increase of 10.9% as compared with RMB6,028.8 million as at 31 December 2022, which was primarily attributable to the increase in the cost of materials procurement and labour outsourcing and energy consumption due to the expansion of the Group's business.

Borrowings

As at 31 December 2023, the Group had long-term borrowings of RMB196.7 million, among which RMB81.3 million will be repayable within one year. The Group also had short-term borrowings of RMB100.1 million with a term of less than one year.

Gearing ratio

The gearing ratio is calculated as total borrowings divided by total equity, which is the sum of long-term and short-term interest-bearing borrowings and other loans as at the corresponding date divided by the total equity as at the same date. As at 31 December 2023, the gearing ratio was 2.1%.

Current and deferred income tax liabilities

As at 31 December 2023, the current income tax liabilities of the Group amounted to RMB576.0 million, representing an increase of 2.6% as compared with RMB561.4 million as at 31 December 2022. Deferred income tax liabilities decreased to RMB313.2 million from RMB325.5 million as at 31 December 2022.

Pledge of assets

As at 31 December 2023, the long-term borrowings amounting to RMB93.7 million and the short-term borrowings amounting to RMB52.1 million were secured by certain property, plant and equipment, investment properties and trade receivables of the Group. Details of the Group's pledge of assets as at 31 December 2023 are set out in notes 9 and 11 to the annual financial information contained in this announcement.

Significant investment held, material acquisitions and disposals of subsidiaries, associates and joint ventures

There was no significant investment held, no material acquisitions or disposals of subsidiaries, associates and joint ventures by the Group during the Year.

Contingent liabilities

As at 31 December 2023, the Group had no significant contingent liabilities.

Key risk factors and uncertainties

The following content lists out the key risks and uncertainties confronted by the Group. It is a non-exhaustive list and there may be other risks and uncertainties further to the key risk areas outlined below.

Industry risks

The Group's operations are subject to the economy of the PRC and changes in the macro environment of the real estate industry, as well as the regulatory environment and measures affecting the property management industry in the PRC. In particular, the Group's business performance primarily depends on the total contracted and revenue bearing GFA, level of fees and the number of properties the Group manages, but the Group's business growth is, and will likely continue to be, subject to factors of macro development of the industry and the upstream industries.

Business risks

The Group's ability to maintain or improve the current level of profitability depends on the Group's ability to control operating costs (including labour costs), and the Group's profit margins and results of operations may be adversely affected by the increase in labour or other operating costs; should the Group be unable to procure new property management service contracts or renew existing management service contracts as planned or at desirable pace or price, the Group's revenue may also be adversely affected; should the Group be unable to collect property management fees from customers on time, it may incur impairment losses on receivables; the above may also affect the assessment and impairment risk of goodwill, the performance of operating cash flows and adversely affect the Group's financial position and results of operations.

Foreign exchange risk

The Group's businesses were principally located in the PRC. Except for bank deposits and financial assets at FVPL denominated in HK$, US$ and AUD$, the Group was not subject to any other material risk directly relating to foreign exchange fluctuations. The management will continue to monitor the foreign exchange exposure, take prudent measures and develop hedging strategy as appropriate to reduce foreign exchange risks.

Employees and remuneration policies

As at 31 December 2023, the Group had 96,018 employees (31 December 2022: 95,102). Total staff costs amounted to RMB6,183.9 million, representing an increase of 4.5% as compared with RMB5,917.5 million in 2022. The increase in staff costs was mainly due to the increased demand for high-quality talents in response to the requirements of the Group's business development.

The compensation plan of the Group is determined with reference to the market levels as well as employees' performance and contributions. Bonuses are also distributed based on the performance of employees. The Group also provides employees with a comprehensive benefit package and career development opportunities, including retirement schemes, medical benefits, and both internal and external training programs appropriate to the employees' needs.

Apart from taking into account the advice from the remuneration and appraisal committee of the Board and the market levels, the Company also considers the competency, contributions and the responsibilities towards the Company in determining the level of remuneration for the Directors. Appropriate benefit schemes are in place for the Directors.

SIGNIFICANT EVENT AFTER THE REPORTING DATE

As at the date of this announcement, the Group did not have any significant event subsequent to 31 December 2023.

FINAL DIVIDEND

The Board proposed the distribution of a final dividend of RMB0.06 per share (before tax) for the year ended 31 December 2023 ("**Final Dividend**"), the dividend payout ratio will be equivalent to 18.5%, and the amount of which will be subject to the approval of the Shareholders at the forthcoming annual general meeting to be held on 29 May 2024 (the "**2023 AGM**"). Final Dividend payable to the shareholders of domestic shares of the Company will be paid in Renminbi, whereas Final Dividend payable to the shareholders of H Shares will be declared in Renminbi and paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets and the Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets, whose Final Dividend will be paid in Renminbi), the exchange rate of which will be calculated based on the average exchange rate of RMB against Hong Kong dollars published by The People's Bank of China five business days prior to the 2023 AGM. Subject to the approval of the 2023 AGM, the Final Dividend will be paid on or about Friday, 12 July 2024.

According to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) which came into effect on 1 January 2008, and was amended on 24 February 2017 and 29 December 2018, the Provision for Implementation of Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) which took effect on 1 January 2008, and the Notice on the Issues Concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprise to H Shareholders which are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), which was promulgated by the State Administration of Taxation and came into effect on 6 November 2008, etc., where a PRC domestic enterprise distributes dividends for 2008 and subsequent years for financial periods beginning from 1 January 2008 to non-resident enterprise shareholders, it is required to withhold 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the Final Dividend as enterprise income tax, distribute the Final Dividend to non-resident enterprise shareholders whose names appear on the H Shares register of members of the Company, i.e. any shareholders who hold H Shares in the name of non-individual shareholders, including but not limited to HKSCC Nominees Limited, other nominees, trustees, or shareholders of H Shares registered in the name of other organizations and groups. After receiving dividends, the non-resident enterprise shareholders may apply to the relevant tax authorities for enjoying treatment of taxation treaties (arrangement) in person or by proxy or by the Company, and provide information to prove that it is an actual beneficiary under the requirements of such taxation treaties (arrangement). After the tax authorities have verified that there is no error, it shall refund tax difference between the amount of tax levied and the amount of tax payable calculated at the tax rate under the requirements of the relevant taxation treaties (arrangement).

In accordance with requirement of the Circular on Certain Issues Concerning the Policies of Individual Income Tax (Cai Shui Zi [1994] No. 020) (《關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)) which was promulgated by the Ministry of Finance and the State Administration of Taxation and came into effect on 13 May 1994, overseas individuals are exempted from the individual income tax for dividends or bonuses received from foreign invested enterprises. Therefore, as a foreign-invested enterprise, the Company will not withhold PRC individual income tax on behalf of overseas individual shareholders whose names appear on the H Shares register of members of the Company when the Company distributes the dividends.

Final Dividend for Investors of Southbound Trading

For investors (including enterprises and individuals) investing in the H Shares listed on the Hong Kong Stock Exchange through Shanghai Stock Exchange and Shenzhen Stock Exchange (collectively the "**Southbound Trading**"), the Company has entered into the Agreement on Distribution of Cash Dividends of H shares for Southbound Trading with China Securities Depository and Clearing Corporation Limited, pursuant to which, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited or the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominees of the investors for Southbound Trading, will receive the cash dividends distributed by the Company and distribute the cash dividends to the relevant investors of Southbound Trading through its depository and clearing system. The cash dividends of the investors of Southbound Trading will be distributed in Renminbi.

According to the provisions of the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Interconnected Mechanism for Trading on the Shanghai and Hong Kong Stock Connect (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) and the Notice on the Relevant Tax Policies Concerning the Pilot Program of an Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)), the income tax implications on dividends and bonuses received by Mainland individual investors, Mainland securities investment funds and Mainland enterprise investors are as follows:

(i) for Mainland individual investors, H share companies shall withhold the individual income tax for these investors at the tax rate of 20% on dividends and bonuses received by them from investing in H Shares listed on the Hong Kong Stock Exchange via Southbound Trading;

(ii) for dividends and bonuses received by Mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the individual income tax shall be levied in accordance with the above provisions; and

(iii) for dividends and bonuses received by Mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the income tax on the Mainland enterprises shall not be withheld by the H share companies. The tax payable shall be declared and paid by the enterprises. For dividends and bonuses received by the Mainland resident enterprises after holding the H shares for 12 months continuously, the enterprise income tax will be exempted according to laws.

The record date and the date of distribution of cash dividends and other time arrangements for the investors of Southbound Trading will be the same as those for the shareholders of H Shares.

CLOSURE OF REGISTER OF MEMBERS FOR THE 2023 AGM

The 2023 AGM will be held on Wednesday, 29 May 2024 and for the purpose of determining the Shareholders' eligibility to attend and vote at the 2023 AGM, the register of members of the Company will be closed from Friday, 24 May 2024 to Wednesday, 29 May 2024, both days inclusive, during which period no transfer of the shares of the Company will be registered. In order to qualify for attending and voting at the 2023 AGM, shareholders of H Shares whose transfer documents have not been registered are required to deposit all properly completed share transfer forms together with the relevant share certificates to the Company's H Share registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Thursday, 23 May 2024.

CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF FINAL DIVIDEND

Upon obtaining approval of the Shareholders at the forthcoming 2023 AGM, the Final Dividend will be payable to the Shareholders whose names appear on the register of members of the Company as at the close of business on Friday, 7 June 2024. For the purpose of determining the entitlement of shareholders of H Shares to the Final Dividend, the H Share register of members of the Company will be closed from Tuesday, 4 June 2024 to Friday, 7 June 2024, both days inclusive, during which period no transfer of H Shares will be registered. In order for shareholders of H Shares to qualify for the proposed Final Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Monday, 3 June 2024.

NOTICE OF ANNUAL GENERAL MEETING

Notice of 2023 AGM will be published on the respective websites of the Company at www.agileliving.com.cn and the Hong Kong Stock Exchange at www.hkex.com.hk and will be despatched to the Shareholders within the prescribed time and in such manner as required under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**").

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix C1 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assisting the Board to fulfill its responsibility over the audit of the Group.

The Audit Committee has reviewed the audited consolidated financial statements of the Group for the year ended 31 December 2023 and reviewed with the management of the Group the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Wang Gonghu, Mr. Weng Guoqiang and Mr. Li Jiahe who are independent non-executive Directors.

COMPLIANCE WITH THE MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS AND SUPERVISORS

The Company has adopted a code for securities transactions by Directors and a code for securities transactions by supervisors of the Company (the "**Supervisors**") as its own codes of conduct governing Directors' and Supervisors' dealings in the Company's securities (the "**Securities Dealing Codes**") on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules.

Specific enquiry has been made of all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the year ended 31 December 2023.

The Company has also established written guidelines (the "**Employees Written Guidelines**") on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the year ended 31 December 2023.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the "**CG Code**") contained in Part 2 of Appendix C1 to the Listing Rules.

The Board reviewed the Company's corporate governance practices and is satisfied that the Company has been in full compliance with all the then applicable code provisions set out in the CG Code for the year ended 31 December 2023.

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

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

FUTURE PLANS FOR MATERIAL INVESTMENTS OR CAPITAL ASSETS

The Group has no other future plans for material investments and capital assets as at 31 December 2023.

PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of its Directors, for the year ended 31 December 2023 and as at the date of this announcement, the Company had maintained sufficient public float as required under the Listing Rules.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE

This annual results announcement is published on the respective websites of the Company at www.agileliving.com.cn and the Hong Kong Stock Exchange at www.hkex.com.hk. The annual report of the Company for the year ended 31 December 2023 containing all the information required under the Listing Rules will be despatched to the Shareholders and made available on the above websites in due course.

BOARD OF DIRECTORS

As at the date of this announcement, the Board comprises eight members, being Mr. Chan Cheuk Hung^ (Co-chairman), Mr. Huang Fengchao^ (Co-chairman), Mr. Li Dalong^ (President (General Manager) and Chief Executive Officer), Mr. Chen Siyang^ (Vice President), Mr. Xu Yongping^^, Mr. Wang Gonghu^^^, Mr. Weng Guoqiang^^^ and Mr. Li Jiahe^^^.

^ *Executive Directors*
^^ *Non-executive Director*
^^^ *Independent Non-executive Directors*

By Order of the Board
A-Living Smart City Services Co., Ltd.*
CHAN Cheuk Hung/HUANG Fengchao
Co-chairman

Hong Kong, 25 March 2024

Scope of work of the auditor

*The figures in respect of the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2023 as set out in this preliminary announcement have been agreed by the Group's auditor, Grant Thornton Hong Kong Limited ("**Grant Thornton**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Grant Thornton 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 HKICPA and consequently no assurance has been expressed by Grant Thornton on this preliminary announcement.*

Any discrepancy between totals and sums of individual amounts listed in any table are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them.

* *for identification purposes only*