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FINANCIAL STREET PROPERTY CO., LIMITED

金融街物業股份有限公司

(A joint stock company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1502)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Revenue for the year ended 31 December 2023 increased by approximately 9.10% to approximately RMB1,514.48 million from approximately RMB1,388.19 million for the year ended 31 December 2022.
- Gross Profit for the year ended 31 December 2023 increase by approximately 2.70% to approximately RMB255.24 million from approximately RMB248.54 million for the year ended 31 December 2022.
- Profit of the Group for the year ended 31 December 2023 amounted to approximately RMB143.54 million, representing an increase of approximately 5.71% as compared with approximately RMB135.79 million (Restated) for the year ended 31 December 2022.
- Profit attributable to the owners of the Company amounted to approximately RMB128.10 million, representing an increase of approximately 5.77% as compared with approximately RMB121.11 million (Restated) for the year ended 31 December 2022.
- As at 31 December 2023, the Group's gross floor area ("GFA") under management ("GFA under management") increased by 16.02% to approximately 40.56 million square meters ("sq.m.") from approximately 34.96 million sq.m. as at 31 December 2022. For the increased contracted GFA during the year, 94.69% of which were from independent third-party.
- The Board recommends the payment of 2023 proposed final dividend of RMB0.173 per Share (before tax) for the year ended 31 December 2023, with a dividend payout ratio of approximately 50.44%, in cash.

The board (the “**Board**”) of directors (the “**Directors**”) of Financial Street Property Co., Limited (the “**Company**” or “**Financial Street Property**”) is pleased to announce the audited consolidated results of the Company and its subsidiaries (collectively referred to as the “**Group**”) for the year ended 31 December 2023 (the “**Reporting Period**”), together with the comparative figures for the same period of 2022.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	<i>Notes</i>	2023 RMB’000	2022 <i>RMB’000</i> <i>(Restated)</i>
Revenue	3	1,514,476	1,388,189
Cost of sales and services		<u>(1,259,236)</u>	<u>(1,139,645)</u>
Gross profit		255,240	248,544
Other income	4	5,747	12,477
Other gain/(loss), net	5	283	(58,940)
Administrative expenses		(78,366)	(82,569)
Provision for expected credit loss (“ ECL ”) allowance of trade receivables and other financial assets at amortised cost		<u>(10,059)</u>	<u>(4,691)</u>
Operating profit		172,845	114,821
Finance income	6	21,885	16,244
Finance costs	6	<u>(3,370)</u>	<u>(3,597)</u>
Finance income, net	6	18,515	12,647
Exchange (loss)/gain, net		(194)	62,109
Share of profit from interests in associates, net		4,589	2,969
Share of profit from interests in joint ventures, net		<u>2</u>	<u>—</u>
Profit before income tax	7	195,757	192,546
Income tax expense	8	<u>(52,216)</u>	<u>(56,756)</u>
Profit for the year		<u>143,541</u>	<u>135,790</u>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> <i>(Restated)</i>
Profit for the year attributable to:			
Owners of the Company		128,098	121,112
Non-controlling interests (“NCI”)		15,443	14,678
		143,541	135,790
Earnings per share, basic and diluted (RMB)	9	0.343	0.324
Other comprehensive (loss)/income			
<i>Item that will not be reclassified subsequently to profit or loss</i>			
Remeasurements of retirement benefit obligations		(226)	53
Remeasurements of long service payment (“LSP”) obligations		(81)	—
<i>Items that will be reclassified subsequently to profit or loss</i>			
Exchange loss on translation of financial statements of foreign operations		(1,057)	—
Other comprehensive (loss)/income for the year		(1,364)	53
Total comprehensive income for the year		142,177	135,843
Total comprehensive income attributable to:			
Owners of the Company		127,076	121,165
NCI		15,101	14,678
		142,177	135,843

Consolidated Statement of Financial Position
As at 31 December 2023

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> <i>(Restated)</i>
ASSETS			
Non-current assets			
Investment properties		22,317	19,437
Property, plant and equipment		51,017	78,935
Interests in associates		16,204	15,677
Interests in joint ventures		2,552	2,550
Goodwill		81,274	325
Intangible assets		18,620	7,968
Prepayments		1,858	634
Other financial assets at amortised cost		43,816	27,961
Deferred tax assets		21,167	16,778
		<hr/>	<hr/>
Total non-current assets		258,825	170,265
Current assets			
Trade receivables	10	270,618	242,597
Prepayments		19,221	13,423
Other financial assets at amortised cost		52,577	29,721
Bank deposits with the maturity over three months		115,104	37,201
Restricted bank deposits		70,356	63,878
Cash and cash equivalents		1,316,199	1,443,945
		<hr/>	<hr/>
Total current assets		1,844,075	1,830,765
		<hr/>	<hr/>
Total assets		2,102,900	2,001,030
		<hr/> <hr/>	<hr/> <hr/>

	<i>Notes</i>	2023 RMB'000	2022 <i>RMB'000</i> <i>(Restated)</i>
EQUITY AND LIABILITIES			
Share capital	11	373,500	373,500
Reserves		608,520	593,014
Retained earnings		263,804	213,115
		<hr/>	<hr/>
Equity attributable to owners of the Company		1,245,824	1,179,629
NCI		57,136	37,119
		<hr/>	<hr/>
Total equity		1,302,960	1,216,748
		<hr/>	<hr/>
Non-current liabilities			
Trade and other payables		25,605	—
Lease liabilities		34,507	51,331
Deferred tax liabilities		1,192	361
Retirement benefit obligations		5,141	5,005
LSP obligations		399	—
		<hr/>	<hr/>
Total non-current liabilities		66,844	56,697
		<hr/>	<hr/>
Current liabilities			
Trade and other payables	13	580,495	551,031
Contract liabilities		116,992	111,720
Current tax liabilities		16,819	36,017
Current portion of lease liabilities		18,398	28,475
Current portion of retirement benefit obligations		338	342
Current portion of LSP obligations		54	—
		<hr/>	<hr/>
Total current liabilities		733,096	727,585
		<hr/>	<hr/>
Total liabilities		799,940	784,282
		<hr/>	<hr/>
Total equity and liabilities		2,102,900	2,001,030
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 General information

Financial Street Property Co., Limited (the “**Company**”, formerly known as “**Beijing Financial Street Property Management Co., Ltd.**”) was incorporated in the People’s Republic of China (the “**PRC**”) as a limited liability company on 20 May 1994. On 19 September 2019, the Company was converted into a joint stock company with limited liability under the Company Law of the PRC. The address of the Company’s registered office is No. 33, Financial Street, Xicheng District, Beijing, the PRC.

The Company’s H Shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited on 6 July 2020.

The Company’s immediate holding company is Beijing Huarong Zonghe Investment Co., Ltd. (the “**Immediate Holding Company**”), an investment company established in the PRC under the control of Beijing Financial Street Investment (Group) Co., Ltd. The ultimate holding company of the Company is Beijing Financial Street Investment (Group) Co., Ltd. (the “**Ultimate Holding Company**”), a limited liability company incorporated in the PRC, which is under the control of the State-owned Assets Supervision and Administration Commission of Beijing Xicheng District Municipal Government.

The Company and its subsidiaries (together, the “**Group**”) are primarily engaged in the provision of property management and related services in the PRC and Hong Kong.

These consolidated financial statements are presented in Renminbi (“**RMB**”), unless otherwise stated.

2 Summary of significant accounting policies

(i) Compliance with HKFRS and HKCO

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

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis.

(iii) Amendments to standards adopted by the Group

In the current year, the Group has applied for the first time the following new and amended HKFRSs issued by the HKICPA, which are relevant to the Group's operations and 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

Other than as noted below, the adoption of the amended HKFRSs had no material impact on how the results and financial position of the Group for the current and prior periods have been prepared and presented.

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.

(iv) New standards and amendments to standards not yet been adopted by the Group

At the date of authorisation of these consolidated financial statements, certain new and amended HKFRSs have been published but are not yet effective, and have not been adopted early by the Group.

Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture ³
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback ¹
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 ¹
Amendments to HKAS 1	Non-current Liabilities with Covenants ¹
Amendments to HKAS 7 and HKFRS 7	Supplier Finance Arrangements ¹
Amendments to HKAS 21	Lack of exchangeability ²

¹ Effective for annual periods beginning on or after 1 January 2024

² Effective for annual periods beginning on or after 1 January 2025

³ Effective date not yet determined

The Directors anticipate that all of the pronouncements will be adopted in the Group's accounting policy for the first period beginning on or after the effective date of the pronouncement. The new and amended HKFRSs are not expected to have a material impact on the Group's consolidated financial statements.

3 Segment information

The board of directors of the Company is the Group's chief operating decision-maker ("CODM"). The board of directors has determined the operating segments for the purposes of allocating resources and assessing performance.

The Group is principally engaged in the provision of property management and related services in the PRC, and resources are allocated based on what is beneficial to the Group in enhancing the value as a whole. The board of directors considers the performance assessment of the Group that should be based on the results of the Group as a whole. Therefore, the board of directors considers there to be only one operating segment under the requirement of HKFRS 8.

The Group's revenue recognised during the year is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Revenue from contract with customers		
Property management and related services		
— recognised on a lump sum basis from property management services	1,115,501	1,027,421
— recognised on a commission basis from property management services	12,873	13,203
— Community value-added services	302,757	280,530
Catering services	73,450	61,032
	<u>1,504,581</u>	<u>1,382,186</u>
Revenue from other sources		
Rental income	9,895	6,003
	<u>1,514,476</u>	<u>1,388,189</u>

For the year ended 31 December 2023, Financial Street Group and its subsidiaries, associates and joint ventures (the “**Financial Street Affiliates Group**”) contributed 12% of the Group's revenue (2022: 15%). Other than the Financial Street Affiliates Group, the Group had a large number of customers, none of whom contribute 10% or more of the Group's revenue during the years ended 31 December 2023 and 2022.

The Group derives revenue from the transfer of goods and services over time and at a point in time in the following major types of services provided:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Segment revenue		
— recognised over time	1,431,131	1,321,154
— recognised at a point in time	73,450	61,032
Rental income	9,895	6,003
	<u>1,514,476</u>	<u>1,388,189</u>

The Group's revenue from external customers is mainly derived from customers located in Mainland China (location of domicile) and Hong Kong, which is determined based on the location of customers, while the Group's non-current assets are located in Hong Kong and Mainland China, which is determined based on the geographical location of these assets or place of group entities that hold such assets, where appropriate.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
External revenue		
— Mainland China	1,487,570	1,388,189
— Hong Kong	26,906	—
	<u>1,514,476</u>	<u>1,388,189</u>

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Additions to non-current segment assets (other than financial instruments and deferred tax assets) during the year		
— Mainland China	26,765	54,731
— Hong Kong	86,885	—
	<u>113,650</u>	<u>54,731</u>

4 Other income

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Government grants	1,777	4,457
Recognition of additional deductible input VAT	3,970	8,020
	<u>5,747</u>	<u>12,477</u>

5 Other gain/(loss), net

	2023 RMB'000	2022 <i>RMB'000</i>
Loss on disposal of financial derivatives	—	(61,883)
Net loss on disposal of property, plant and equipment	(564)	(129)
Net gain from derecognition of leases upon early termination	1,013	92
Gain/(Loss) on disposal of right-of-use assets	(60)	2,735
Others	(106)	245
	<u>283</u>	<u>(58,940)</u>

6 Finance income, net

	2023 RMB'000	2022 <i>RMB'000</i>
Finance income		
Interest income on bank deposits	20,713	15,509
Interest income on a loan to an associate	—	198
Interest income on a loan to NCI	—	30
Interest income on finance leases	1,172	507
	<u>21,885</u>	<u>16,244</u>
Finance costs		
Finance charges on lease liabilities	(3,068)	(3,597)
Imputed interest income from consideration payables related to acquisition of a subsidiary	(302)	—
	<u>(3,370)</u>	<u>(3,597)</u>
	<u>18,515</u>	<u>12,647</u>

7 Profit before income tax

Profit for the year is arrived at after charging/(crediting):

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Staff costs – including directors' emoluments		
— Included in cost of sales and services	489,296	458,299
— Included in administrative expenses	43,551	49,388
Cost of cleaning, security and maintenance services	541,175	467,939
Utilities	94,665	87,214
Depreciation		
— Property, plant and equipment	30,679	32,242
— Investment properties	4,899	4,271
Amortisation of intangible assets	2,303	1,371
Provision for ECL allowance		
— Trade receivables	9,707	3,802
— Other financial assets at amortised cost	352	889
Cost of raw material and consumables for catering services	53,861	53,838
Lease charges:		
— Short term leases	9,642	7,218
— Leases of low value items	6,254	6,659
Professional service fee	10,571	8,681
Taxes and surcharges	6,829	5,857
Auditor's remuneration		
— Audit services	2,075	1,842
— Non-audit services	577	521
Exchange loss/(gain), net	194	(62,109)
Other expenses	41,225	36,874

8 Income tax expenses

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
		<i>(Restated)</i>
Current income tax		
— PRC Corporate Income Tax	56,196	70,838
— Hong Kong Profits Tax	486	—
Deferred tax	<u>(4,466)</u>	<u>(14,082)</u>
Total income tax expense	<u>52,216</u>	<u>56,756</u>

PRC Corporate Income Tax

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

The general Corporate Income Tax rate in the PRC is 25% (2022: 25%).

Yongtaiheng, Huarong Property Agency, Beijing Jintongtai Catering Co., Ltd., Beijing Financial Street Savills Jingnan Property Management Co., Ltd., Hubei Financial Street Savills Property Management Co., Ltd., Beijing Financial Street Residential Property Management Co., Ltd. and Beijing Jinxi Lilin Life Services Co., Ltd. (formerly known as Beijing Jinxi Lilin Health Management Co., Ltd.) were qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority (2022: 2.5%); Financial Street Hongya Property Services (Chongqing) Co., Ltd., Beijing Yijigou Trading Co., Ltd. and Shandong Financial Street Property Co., Ltd. were qualified as small and micro businesses and enjoyed a preferential income tax rate of 5% as approved by the local tax authority (2022: Nil).

Hong Kong profits tax

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 is calculated at 16.5% of the estimated assessable profits for the year, except for one subsidiary of the Group which is a qualifying corporation under the two-tiered profits tax rates regime. Under the two-tiered profits tax rates regime, the first HK\$2,000,000 of profits of qualifying entities are taxed at 8.25%, and the profits above HK\$2,000,000 are taxed at 16.5%.

The provision for Hong Kong Profits Tax for the year ended 31 December 2023 takes into account a reduction granted by the Hong Kong Government of 100% of the tax payable for the year of assessment 2022/23 subject to a maximum reduction of HK\$6,000 for each business.

9 Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, by the weighted average number of ordinary shares outstanding during the year.

	2023	2022 <i>(Restated)</i>
Profit attributable to owners of the Company <i>(RMB'000)</i>	128,098	121,112
Weighted average number of ordinary shares in issue <i>('000)</i>	<u>373,500</u>	<u>373,500</u>
Basic earnings per share <i>(RMB)</i>	<u><u>0.343</u></u>	<u><u>0.324</u></u>

(b) Diluted earnings per share

Diluted earnings per share is the same as basic earnings per share as the Group had no dilutive potential ordinary shares during the years ended 31 December 2023 and 2022.

10 Trade receivables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables		
— related parties	89,732	132,083
— third parties	<u>202,012</u>	<u>124,368</u>
	291,744	256,451
Less: ECL allowance of trade receivables	<u>(21,126)</u>	<u>(13,854)</u>
Trade receivables, net	<u><u>270,618</u></u>	<u><u>242,597</u></u>

The directors of the Group consider that the fair values of trade receivables which are expected to be recovered within one year are not materially different from their carrying amounts because these balances have short maturity periods on their inception.

The credit terms given to trade customers are determined on an individual basis with normal credit period ranged from 0–365 days (2022: 0–365 days).

The ageing analysis of the trade receivables before loss allowances as at 31 December 2023 and 2022 based on the invoice date is as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	194,931	179,681
1–2 years	47,845	44,863
2–3 years	22,138	27,612
Over 3 years	26,830	4,295
	<u>291,744</u>	<u>256,451</u>
Total	<u>291,744</u>	<u>256,451</u>

11 Share capital

	2023		2022	
	<i>Number of</i>		<i>Number of</i>	
	<i>shares</i>		<i>shares</i>	
	<i>'000</i>	<i>RMB'000</i>	<i>'000</i>	<i>RMB'000</i>
Issued and fully paid				
Balance as at 1 January and 31 December	<u>373,500</u>	<u>373,500</u>	<u>373,500</u>	<u>373,500</u>

12 Dividend

(a) Dividend attributable to the year:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Proposed final dividend of RMB0.173 per ordinary share (2022: RMB0.163 per ordinary share)	<u>64,616</u>	<u>60,881</u>

The final dividend proposed after the reporting date is subject to approval of the shareholders at the forthcoming annual general meeting of the Company and has not been recognised as a liability at the reporting date.

- (b) Dividends attributable to the previous financial year, approved and paid during the year:

	2023 RMB'000	2022 RMB'000
Final dividends declared by the Company (<i>note i</i>)	60,881	82,917
Final dividends declared to NCI by subsidiaries (<i>note ii</i>)	<u>9,521</u>	<u>—</u>
	<u>70,402</u>	<u>82,917</u>

Notes:

- (i) In the annual general meeting of the Company on 8 June 2023, the Board declared a final dividend in respect of the year ended 31 December 2022 of RMB0.163 per share, totalling approximately RMB60,881,000. The dividend was settled in August 2023.

In the annual general meeting of the Company on 9 June 2022, the Board declared a final dividend in respect of the year ended 31 December 2021 of RMB0.222 per share, totalling approximately RMB82,917,000. The dividend was settled in August 2022.

- (ii) These are the dividend declared and paid by Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary, to NCI for the year ended 31 December 2021.

- (c) Dividends attributable to the previous financial year, approved and payable during the year:

	2023 RMB'000	2022 RMB'000
Final dividends declared to NCI by subsidiaries (<i>note</i>)	<u>11,205</u>	<u>—</u>

Note:

These are the dividend declared by Beijing Financial Street Savills Property Management Co., Ltd., a subsidiary, to NCI for the year ended 31 December 2022.

13 Trade and other payables

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables (<i>note a</i>)	<u>191,913</u>	<u>178,246</u>
Other payables		
— Receipts on behalf of property owners, tenants and property developers	188,320	190,123
— Deposits (<i>note b</i>)	87,670	97,161
— Accruals	3,216	3,444
— Others	6,561	6,095
Payroll and welfare payables	84,630	68,806
Consideration payables related to acquisition of a subsidiary (<i>note c</i>)	25,605	—
Dividend payable	11,205	—
Other tax payables	<u>6,980</u>	<u>7,156</u>
	606,100	551,031
Less: non-current portion		
Consideration payables related to acquisition of a subsidiary (<i>note c</i>)	<u>(25,605)</u>	<u>—</u>
Current portion	<u><u>580,495</u></u>	<u><u>551,031</u></u>

Notes:

- (a) The Group was granted by its suppliers credit periods ranging from 0–180 days (2022: 0–180 days). Based on the invoice dates, the ageing analysis of the trade payables (including amounts due to related parties of trading in nature) were as follows:

	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
Within 1 year	177,278	166,754
1–2 years	6,538	4,903
Over 2 years	8,097	6,589
	<u>191,913</u>	<u>178,246</u>

- (b) The balances mainly represent the deposits paid by the property owners, tenants and property developers for property management and refurbishment.
- (c) The consideration payable referred to the balance sum of the consideration payable to the existing shareholder of a subsidiary acquired during the financial year (note 38). The consideration is payable subject to the subsidiary achieving certain performance targets and will be settled after 2025.

The carrying amounts of trade and other payables are considered to approximate their fair values, due to their short-term nature.

MANAGEMENT DISCUSSION AND ANALYSIS

As one of the leading comprehensive property management service providers for commercial and business properties in China, the Group focuses on mid- to high-end property management services. The Group has been providing property management services for over 29 years since 1994, and since then has expanded the property management business across seven regions (namely Northern China, Southwestern China, Eastern China, Southern China, Northeastern China, Central China and Northwestern China), covering a wide range of properties and providing property owners and residents with tailored quality services through a one-stop service platform to improve the quality and satisfaction of their living and working space.

In 2023, the Group based itself on the long-term strategic goals, took advantage of core development factors, constantly bolstered its competitive advantages, enhanced its service quality and customer loyalty and improved its business resilience. In 2023, the Group has received various awards, including 2023 Top 100 Property Management Companies in China, 2023 Top 100 Property Service Companies with High-quality Development and Excellence in China, 2023 China Excellent Property Management Company by ESG Development and Top 100 Companies in the Service Industry in Beijing. Brand value continued to increase to RMB4.42 billion.

In 2023, backed by its positive brand image and excellent service quality, the Group penetrated into the markets of first-tier and second-tier cities and key regions. Leveraging on the sector of commercial and business properties, the Group expanded into all segments of public building properties and unleashed its strengths in a variety of segments, such as government authorities, military, schools, hospitals and industrial parks. As at 31 December 2023, the Group had a business presence in 19 provinces, municipalities, autonomous regions and special administrative regions, and the GFA under management amounted to approximately 40.56 million sq.m., representing a year-on-year growth of 16%. In particular, the GFA under the management from independent third parties accounted for 52% of the total GFA under management, while the GFA under the management from non-residential sector accounted for 58.53%.

In respect of joint venture cooperation, which is one of the means of business expansion of the Group, further achievements were made in 2023. During the Reporting Period, with different partners respectively, the Group established 5 joint ventures, namely Shandong Financial Street Property Co., Ltd.* (山東金融街物業有限公司), Beijing Yijigou Trading Co., Ltd.* (北京怡己購商貿有限公司), Orchard Financial Street (Beijing) Operation Management Co., Ltd.* (烏節金融街(北京)運營管理有限公司), Luoyang UDI Property Service Co., Ltd.* (洛陽城投物業服務有限責任公司) and Beijing Financial Street Jixiangrui Property Management Co., Ltd.* (北京金融街吉祥瑞物業管理有限公司). The partners of these joint ventures are diverse in nature, including state-owned enterprises, foreign-invested enterprises and high-quality private enterprises. These joint ventures will capitalise the resource advantages of their shareholders to innovate and develop diversified businesses, further enhance market competitiveness and expand business scale.

In 2023, the Group completed the acquisition of 70% equity interest in Top Property Services Company Limited (置佳物業服務有限公司), the financial information of which has been consolidated into the financial statements of the Group since 1 October 2023. Top Property Services Company Limited (置佳物業服務有限公司), being a property services company incorporated in Hong Kong, has developed mature operation model and possesses extensive property management experience. The Company will further bring into play the strengths in brand, management and resources of the shareholders of Top Property Services Company Limited so as to enhance its efforts to expand, and explore more market opportunities.

The Group's representative projects newly acquired in 2023 are summarised as follows:

Atlas Copco Industrial Park

Located in Zibo City, Shandong Province, it is one of the components of the valuable urban development cluster and is a key industrial park segment. Atlas Copco is a global industrial group company headquartered in Stockholm, Sweden.

Sanqiaodong PARK

Located in Jiangbei District, Chongqing City, it is a commercial project with a GFA of approximately 50,000 sq.m., comprising three buildings, covering a wide range of businesses, such as catering, retail, entertainment, and modern art space.

Longli Guanyinshan Forest

Located in Longli County, Qiannan Buyei and Miao Autonomous Prefecture, Guizhou Province, it is a complex project comprising tourism, vacation, health care, residence and other functions, with a total GFA of approximately 450,000 sq.m.

Fanland High-tech Zone New Material Industrial Park

Located in Dongying City, Shandong Province, it is a featured park focusing on the petroleum equipment industry and comprising petroleum equipment industrial zone, offshore equipment industrial park, intelligent manufacturing industrial park, innovation incubator and enterprise headquarters zone, on-site service industry cluster zone and reserve area for development.

Zhejiang Project Department of East China Branch of CHN Energy Group Real Estate Co., Ltd.

It is located in Hangzhou City, Zhejiang Province. The Company provides sanitation, order maintenance and comprehensive maintenance services for its new production control building.

Beijing Daxing Xicheng Academy

Located in Daxing District, Beijing City, it is a local state-owned privately-run school with internationalised characteristics under a new model which is “backed by the government, operated by an enterprise, and run by educators”.

In addition, in 2023, the Group also expanded its projects including but not limited to the following:

1. constant progress has been made in the expansion of military property socialisation projects. The Group obtained 7 new business projects, including the Third Detachment and Fuyang Detachment of the Armed Police, Air Force Research Institute, a military barracks in Chifeng, a military barracks in Beijing and a military barracks in Shanghai, and entered into a new service contract with Coast Guard Corps;
2. in terms of commercial and business properties, the Company has secured a number of projects, including the first office area of Beijing Fangshan District Government Authority Service Center, the fourth office area of Beijing Haidian District Government Authority Service Center, the government office area of an autonomous banner under Hulunbuir, back office services of Shenshuo Line and Shenshuo Hotel from the CHN Energy Group, and Jilin Project Department of Northeast Branch of CHN Energy Group Real Estate Co., Ltd.;

3. in terms of public property business, the Group further expanded the scale of its segments. Save as disclosed above, during the Reporting Period, the Group also secured projects of property services from Research Institute of Hefei University of Technology, Chongqing Shudu High School, Huizhou Yangcun High School and Testing Center of Jiangbei Branch of the Fourth Hospital of Harbin Medical University; and
4. with its extensive experience in various industries and whole business chain services, the Group started to provide property consulting services for public building properties in Jinan City, Shandong Province, covering an area of approximately 2,500,000 sq.m.

Property Management and Related Services

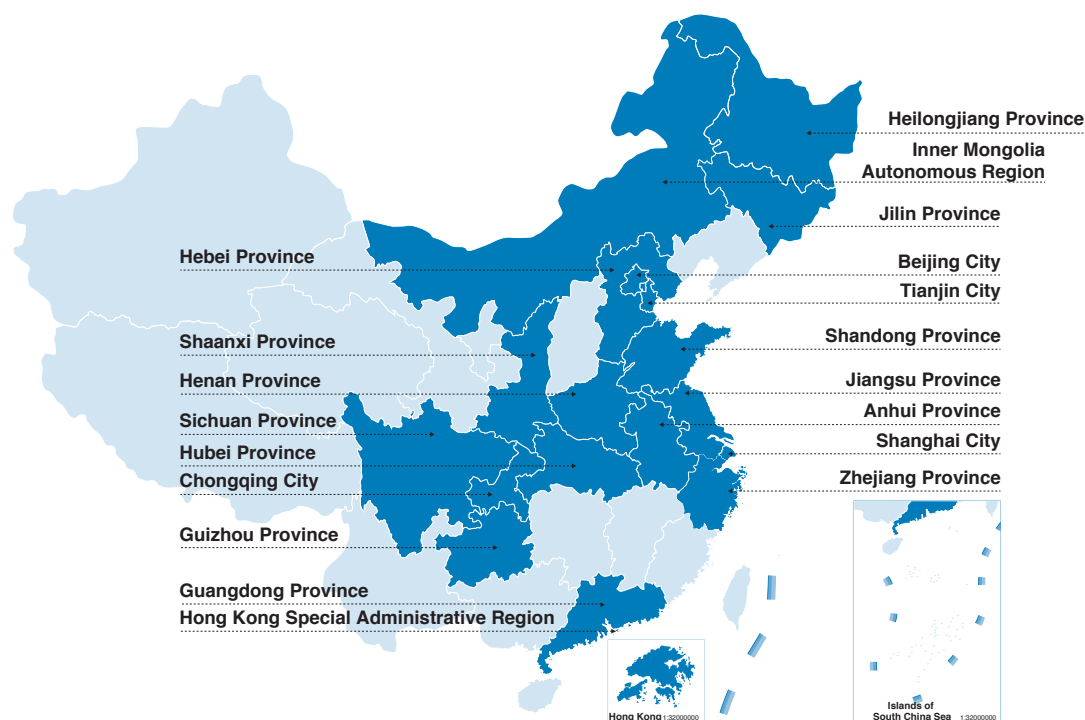
As at 31 December 2023, the Group's property management services covered 19 provinces, municipalities, autonomous regions and special administrative regions across seven regions in China (including Northern China, Southwestern China, Eastern China, Southern China, Northeastern China, Central China and Northwestern China), with a total GFA under management of approximately 40.56 million sq.m. and a total of 290 properties under management.

The table below sets forth (i) the contracted GFA; (ii) the GFA under management; and (iii) the number of properties under management, as at the dates indicated:

	As at 31 December 2023	As at 31 December 2022
Contracted GFA ('000 sq.m.)	43,703	37,717
GFA under management ('000 sq.m.)	40,556	34,958
Number of properties under management	290	230

Geographic Coverage

The following map shows the geographic coverage of the properties under management of the Group as at 31 December 2023:



The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by regions as at the dates indicated:

	As at 31 December 2023		As at 31 December 2022	
	GFA under management (<i>'000 sq.m.</i>)	Number of projects (<i>project</i>)	GFA under management (<i>'000 sq.m.</i>)	Number of projects (<i>project</i>)
Northern China	15,445	132	14,429	118
Southwestern China	5,278	29	5,820	31
Eastern China	8,557	36	6,109	28
Southern China	6,720	75	4,649	38
Northeastern China	1,498	10	1,178	6
Central China	2,418	6	2,773	9
Northwestern China	640	2	—	—
Total	40,556	290	34,958	230

Notes:

- Northern China region includes Beijing, Tianjin, Hebei Province and Inner Mongolia Autonomous Region
- Southwestern China region includes Chongqing, Sichuan Province and Guizhou Province
- Eastern China region includes Shanghai, Jiangsu Province, Zhejiang Province, Shandong Province and Anhui Province
- Southern China region includes Guangdong Province and Hong Kong Special Administrative Region
- Northeastern China region includes Heilongjiang Province
- Central China region includes Hubei Province and Henan Province
- Northwestern China region includes Shaanxi Province

Types of Properties under Management

The Group manages a diversified portfolio of properties covering commercial and business properties, including office buildings, complexes, retail buildings and hotel; and non-commercial properties, including residential properties, public properties, hospitals, educational properties and others. Regarding the property management services, the Group employs the lump-sum basis and commission basis as the two revenue models under which property management fees are charged. On a lump-sum basis, the Group records all the fees as revenue and all the expenses incurred in connection with providing the property management services as cost of services. On a commission basis, the Group essentially acts as the agent of the property owners and therefore records only a pre-determined percentage of the property management fees or cost of services as set out in the property management service contracts as revenue. By adopting these two revenue models, the Group is able to cover the expenses incurred in connection with the provision of property management services.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management by type of properties as at the dates indicated:

	As at 31 December 2023			As at 31 December 2022		
	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of properties under management
Office buildings	7,730	19.06	70	7,466	21.36	63
Complexes	1,200	2.96	5	1,200	3.43	5
Retail buildings and hotels	368	0.91	4	265	0.76	2
Residential properties	16,821	41.47	117	14,344	41.03	75
Public properties, hospitals, educational properties and others	14,437	35.60	94	11,683	33.42	85
Total	40,556	100	290	34,958	100	230

The table below sets forth the breakdowns of the GFA under management by revenue models as at the dates indicated:

	As at 31 December 2023		As at 31 December 2022	
	GFA under management (’000 sq.m.)	Percentage (%)	GFA under management (’000 sq.m.)	Percentage (%)
Property management services (lump-sum basis)	36,941	91.09	31,431	89.91
Property management services (commission basis)	3,615	8.91	3,527	10.09
Total	<u>40,556</u>	<u>100</u>	<u>34,958</u>	<u>100</u>

It is important to note that on a commission basis, the Group recorded only a pre-determined fixed percentage of the property management fees, as set out in the property management service contracts as revenue, while all the property management fees are recorded as revenue on a lump-sum basis.

Nature of the Property Developers Served

The properties under the Group’s management include properties developed by the Beijing Financial Street Investment (Group) Co., Ltd. (北京金融街投資(集團)有限公司, “**Financial Street Group**”), a state-owned enterprise established in the PRC and is one of the controlling shareholders of the Company, and its affiliates (the “**Financial Street Affiliates Group**”) and independent third parties. As at 31 December 2023, the GFA of the properties developed by the Financial Street Affiliates Group under the management of the Group was approximately 19.46 million sq.m. At the same time, the scale of business from independent third parties continued to expand in 2023. The Group’s GFA under management from properties developed by independent third party was approximately 21.10 million sq.m. as at 31 December 2023, representing an increase of approximately 30.79% from approximately 16.13 million sq.m. as at 31 December 2022. Furthermore, the number of projects developed by independent third parties increased from 106 as at 31 December 2022 to 159 as at 31 December 2023.

The table below sets forth the breakdowns of (i) the GFA under management; and (ii) the number of properties under management of the Group by property developers as at the dates indicated:

	As at 31 December 2023			As at 31 December 2022		
	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of projects (<i>project</i>)	GFA under management (<i>'000 sq.m.</i>)	Percentage (%)	Number of projects (<i>project</i>)
Properties developed by Financial Street Affiliates Group	19,456	47.97	131	18,825	53.85	124
Properties developed by independent third parties	21,100	52.03	159	16,133	46.15	106
Total	40,556	100	290	34,958	100	230

Value-added services

The Group's value-added business is mainly composed of six major segments, including operating business, consulting services, asset operation, resources management (including field services), customised services and other income. In addition, based on the existing value-added business portfolio, the Group continued to expand the scope and scale of value-added business services. In 2023, the Group actively promoted lifestyle services and carried out its pilot group buying business. The Group also launched online consumption platforms, namely “金愛臻品” and “金愛臻選”, in light of customer needs and in conjunction with Internet channels, aiming to provide customers with cost-effective products and services. For the year ended 31 December 2023, the Group's revenue from value-added services was approximately RMB302.76 million, accounting for approximately 19.99% of the revenue for the year ended 31 December 2023, representing an increase of approximately 7.92% as compared to the revenue from value-added services of approximately RMB280.53 million for the year ended 31 December 2022.

FUTURE OUTLOOK

In terms of business development, the Group will strengthen its awareness of market benchmarking, capitalise on our experience and brand advantages in the business office field, extend our service capabilities to other sub-sectors, expand our business boundaries in a proactive manner, and increase our service density.

In terms of service quality, we will continue to focus on customers' demands under a quality-oriented approach, enhance our awareness to serve, strengthen our construction of service system, improve service quality and customer satisfaction continuously, and lay a solid foundation for development.

In terms of social responsibility, we will actively undertake the social responsibility of state-owned enterprises and carry forward the spirit of social benefit, participate in public welfare activities and contribute to social development. At the same time, we will strengthen work safety, and provide customers with assured and safe living and working space.

In terms of corporate governance, we will take into consideration the actual situation of the Company, continue to optimise the scientific and standardised governance system for listed companies, strengthen risk prevention and control system and improve the quality of information disclosure to ensure compliant operations.

FINANCIAL REVIEW

Revenue

The Group derives revenue mainly from: (i) property management and related services; and (ii) catering services. Revenue increased by approximately 9.10% from approximately RMB1,388.19 million for the year ended 31 December 2022 to approximately RMB1,514.48 million for the year ended 31 December 2023.

The following table sets forth the breakdown of revenue by our services provided for the periods indicated:

	For the year ended 31 December		2022		Changes	
	2023			2022		
	<i>RMB'000</i>	<i>Percentage (%)</i>	<i>RMB'000</i>	<i>Percentage (%)</i>	<i>RMB'000</i>	<i>Percentage (%)</i>
Property management and related services:						
Property management services	1,128,374	74.51	1,040,624	74.96	87,750	8.43
Value-added services	302,757	19.99	280,530	20.21	22,227	7.92
Rental services	9,895	0.65	6,003	0.43	3,892	64.83
Catering services	73,450	4.85	61,032	4.40	12,418	20.35
Total	1,514,476	100.00	1,388,189	100.00	126,287	9.10

- Revenue generated from our property management and related services mainly includes: (i) customer services; (ii) security services; (iii) cleaning and gardening services; (iv) engineering, repair and maintenance services; (v) car park management services; and (vi) other related services, which increased from approximately RMB1,327.16 million for the year ended 31 December 2022 to approximately RMB1,441.03 million for the year ended 31 December 2023, representing an increase of approximately 8.58%, among which, property management income maintained growth, which was benefited from the increase in the number of projects under management. The increase in revenue from value-added services was mainly due to the increase in the number of projects under management.
- Revenue generated from our catering services: our revenue from catering services increased from approximately RMB61.03 million for the year ended 31 December 2022 to approximately RMB73.45 million for the year ended 31 December 2023.

Cost of Sales and Services

The Group's cost of sales and services mainly consists of (i) subcontracting costs; (ii) employee benefit expenses; (iii) utilities; (iv) cost of cleaning, security and maintenance services; (v) cost of raw materials and consumables for catering services; and (vi) other expenses. The Group's cost of sales and services increased by approximately 10.49% from approximately RMB1,139.65 million for the year ended 31 December 2022 to approximately RMB1,259.24 million for the year ended 31 December 2023. The cost of sales increased along with the expansion of business scale of the Company and more costs were incurred to adapt to the market economic environment and enhance market competitiveness.

Gross Profit and Gross Profit Margin

The overall gross profit of the Group increased by approximately 2.69% from approximately RMB248.54 million for the year ended 31 December 2022 to approximately RMB255.24 million for the year ended 31 December 2023. The overall gross profit margin of the Group for the year ended 31 December 2023 was approximately 16.85%, representing a slight decrease from 17.90% for the year ended 31 December 2022. The overall gross profit was affected by the increase in costs incurred. The overall gross profit margin declined due to the continued increase in the number of non-commercial properties under management, such as residential and public properties. The table below sets forth the Group's gross profit and gross profit margin by type of service for the periods indicated:

	As at 31 December		Changes			
	2023		2022		Gross Profit	Gross Profit
	Gross Profit	Gross Profit Margin	Gross Profit	Gross Profit Margin	Profit	Margin
	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>	<i>RMB'000</i>	<i>(%)</i>
Property management and related services	259,147	17.98	266,839	20.11	(7,692)	(2.13)
Commercial and business properties	200,307	23.31	201,743	24.11	(1,436)	(0.80)
Non-commercial properties	58,840	10.11	65,096	13.27	(6,256)	(3.16)
Catering services	(3,907)	(5.32)	(18,295)	(29.98)	14,388	24.66
Total	<u>255,240</u>	<u>16.85</u>	<u>248,544</u>	<u>17.90</u>	<u>6,696</u>	<u>(1.05)</u>

Administrative Expenses

Administrative expenses of the Group decreased by approximately 5.09% from approximately RMB82.57 million for the year ended 31 December 2022 to approximately RMB78.37 million for the year ended 31 December 2023, which was attributable to the reduction in certain management expenses.

Income Tax Expense

Income tax expense of the Group decreased by approximately 8.00% from approximately RMB56.76 million (Restated) for the year ended 31 December 2022 to approximately RMB52.22 million for the year ended 31 December 2023, primarily attributable to the reduction of loss incurred in the catering business, which was not included in the calculation of income tax.

Profit for the Reporting Period

For the year ended 31 December 2023, the Group's profit for the year amounted to approximately RMB143.54 million, profit before income tax amounted to approximately RMB195.76 million, and profit attributable to the owners of the Company amounted to approximately RMB128.10 million.

Total Comprehensive Income for the Reporting Period

Total comprehensive income of the Group increased from approximately RMB135.84 million (Restated) for the year ended 31 December 2022 to approximately RMB142.18 million for the year ended 31 December 2023, representing an increase of approximately 4.67%.

LIQUIDITY, CAPITAL STRUCTURE AND FINANCIAL RESOURCES

As at 31 December 2023, the Group's cash and bank balances were approximately RMB1,501.66 million, representing a decrease of approximately RMB43.36 million from approximately RMB1,545.02 million as at 31 December 2022.

The Group's financial situation remained stable and healthy. The net current assets of the Group was approximately RMB1,110.98 million as at 31 December 2023, as compared to approximately RMB1,103.20 million as at 31 December 2022, representing an increase of 0.71%. As at 31 December 2023, the Group's current ratio (current assets/current liabilities) was approximately 2.52 (as at 31 December 2022: approximately 2.52).

As at 31 December 2023, the Group did not have any borrowings or bank loans (as at 31 December 2022: nil).

TRADE AND OTHER RECEIVABLES

Trade receivables mainly arise from property management and related services. Trade receivables of the Group increased by approximately RMB28.02 million from approximately RMB242.60 million as at 31 December 2022 to approximately RMB270.62 million as at 31 December 2023, primarily due to the increase in trade receivables as a result of the expansion of size and business of the Group.

Other receivables mainly include payments and deposits paid on behalf of owners, tenants and property developers. Other receivables of the Group increased by approximately RMB38.71 million from approximately RMB57.68 million as at 31 December 2022 to approximately RMB96.39 million as at 31 December 2023, primarily due to the expansion of size and operations of the Group.

TRADE AND OTHER PAYABLES

Trade payables mainly represent amount payable to suppliers and subcontractors, including for purchase of materials. As at 31 December 2023, our balance of trade payables amounted to approximately RMB191.91 million, representing an increase of approximately RMB13.66 million as compared with approximately RMB178.25 million as at 31 December 2022, which was mainly due to the increase in the cost of security guards, cleaning, engineering and materials supply caused by the expansion of the Company's business scale, for which payments had not become due, thereby resulting in a corresponding increase in its balance.

Payroll and welfare payables mainly refer to salary and insurance. As at 31 December 2023, the payroll and welfare payables of the Group were approximately RMB84.63 million, representing an increase of 23.00% as compared with approximately RMB68.81 million as at 31 December 2022, mainly due to the expansion of size and business of the Group.

Other payables and accruals mainly include payments and deposits collected on behalf of owners, tenants and property developers. Other payables decreased by approximately 3.72% from approximately RMB296.82 million as at 31 December 2022 to approximately RMB285.77 million as at 31 December 2023, primarily due to the payment of payables amount in the ordinary course of business of the Company.

USE OF PROCEEDS FROM THE LISTING

The H Shares were successfully listed on the Stock Exchange on 6 July 2020 (the “**Listing Date**”). The Company issued 90,000,000 H Shares, and subsequently issued 13,500,000 H Shares on 29 July 2020 as a result of the full exercise of the over-allotment option. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing (the “**Net Proceeds**”) amounted to approximately HK\$710.48 million (equivalent to approximately RMB648.36 million). The unutilised Net Proceeds have been placed as interest-bearing deposits with licensed banks in China. As at 31 December 2023, the Net Proceeds have been utilised in accordance with the allocation method proposed in the prospectus of the Company dated 19 June 2020 (the “**Prospectus**”).

The analysis on the utilisation of the Net Proceeds up to 31 December 2023 is as follows:

	Planned use of the Net Proceeds as stated in the Prospectus and the use of additional Net Proceeds after taking into account the full exercise of the over-allotment option on 29 July 2020					Actual use of Net Proceeds as at 31 December 2023	Utilised Net Proceeds during the Reporting Period	Unutilised Net Proceeds as at 31 December 2023	Expected timeline of full utilisation of the remaining balance
	% of total								
	amount	RMB million	RMB million	RMB million	RMB million				
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand the Group's business scale	60%	389.02	133.19	119.29	255.83	on or before 31 December 2023			
Developing the Group's value-added services business	20%	129.66	39.62	5.05	90.04	on or before 31 December 2023			
Establishing and upgrading IT and intelligent facilities systems	10%	64.84	6.53	0.71	58.31	on or before 31 December 2023			
The Group's working capital and general corporate purposes	10%	64.84	—	—	64.84	on or before 31 December 2023			
		<hr/>	<hr/>	<hr/>	<hr/>				
Total	100%	648.36	179.34	125.05	469.02				

During the Reporting Period, the Group had utilised Net Proceeds of approximately RMB125.05 million. Since the listing of the Company, there has been a slowdown in the overall development due to the impact of the macro environment and intensified market competition in the property management service industry. The Company has taken a more prudent approach to its investments. After careful consideration and detailed assessment of the operation and business strategies of the Group, the Board has decided to change the use of the unutilised portion of the Net Proceeds and update the expected timeline of full utilisation of the Net Proceeds (the “**Proposed Change**”). The analysis on the utilisation of the Net Proceeds after the Proposed Change is as follows:

	Unutilised Net Proceeds as at the date of this announcement	Balance of the unutilised Net Proceeds after the Proposed Change	Expected timeline of full utilisation of the remaining balance after the Proposed Change
Pursuing strategic acquisitions and investment opportunities and establishing new branches and subsidiaries to expand business scale	255.83	384.68	on or before 31 December 2026
Developing the value-added services business	90.04	9.50	on or before 31 December 2026
Establishing and upgrading IT and intelligent facilities systems	58.31	10.00	on or before 31 December 2026
Working capital and general corporate purposes	64.84	64.84	on or before 31 December 2026
	<u>469.02</u>	<u>469.02</u>	

Note: The expected timeline for utilising the remaining Net Proceeds is based on the best estimation made by our Group. It will be subject to change based on the current and future development of the market conditions.

For more details and explanation of the use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds” in the Prospectus and the announcement of the Company dated 27 March 2024. The updated expected timeline is based on the Company’s best estimates and assumptions of future market conditions and industry development, and the proceeds are utilised in accordance with the actual development of the Group’s business and the industry. The Proposed Change will not have any material adverse impact on the existing business and operations of the Group and is in the best interests of the Company and its Shareholders as a whole. The unutilised Net Proceeds will be utilised in the manner described in the announcement of the Company dated 27 March 2024.

PLEDGE OF ASSETS

As at 31 December 2023, none of the assets of the Group were pledged (as at 31 December 2022: nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS

On 21 March 2023, the Company entered into a share sale and purchase agreement with Ms. Cheng Pui Yi (the “**Vendor**”) and Top Property Services Company Limited (置佳物業服務有限公司) (the “**Target Company**”), pursuant to which the Vendor has conditionally agreed to sell and the Company has conditionally agreed to acquire (the “**Acquisition**”), 70% of the equity interests of the Target Company for a maximum total consideration of HK\$154 million, subject to the terms and conditions as set out in the share sale and purchase agreement.

On 26 July 2023, the Company received approval from the competent state-owned assets supervision and management authority for the results of the valuation of the assets of the Target Company and the conditions precedent of the share sale and purchase agreement dated 21 March 2023 in relation to the acquisition of the Target Company were fulfilled. The Acquisition was completed on 1 October 2023. The Target Company has become a direct subsidiary of the Company and its financial information has been consolidated into the financial statements of the Group since 1 October 2023.

For details of the Acquisition, please refer to the announcements dated 21 March 2023, 4 May 2023, 4 July 2023 and 26 July 2023 of the Company.

Save as disclosed in this announcement, for the year ended 31 December 2023, the Group did not have any material acquisitions or disposals of assets (for the year ended 31 December 2022: nil).

SIGNIFICANT INVESTMENT HELD AND FUTURE PLANS FOR MATERIAL INVESTMENT AND CAPITAL ASSETS

As at the date of this announcement, the Group has no plan for any material investment, disposal of or addition of capital assets.

LIABILITIES TO ASSETS RATIO

Liabilities to assets ratio is calculated based on our total liabilities as at the end of the relevant period divided by our total assets as at the end of such period. As at 31 December 2023, our liabilities to assets ratio was 0.38. As at 31 December 2022, our liabilities to assets ratio was 0.39. Gearing ratio is calculated by dividing the total amount of loan as at the corresponding date by the total amount of equity as at the same date. As at 31 December 2023 and 31 December 2022, the Group had no interest-bearing loan, therefore the gearing ratio does not apply.

CONTINGENT LIABILITIES

As at 31 December 2023, the Group did not have any contingent liabilities (as at 31 December 2022: nil).

FINANCIAL POLICY

The Group has adopted a prudent financial management approach and has maintained a solid liquidity position during the year. To manage liquidity risk, the Board closely monitors the liquidity position of the Group to ensure that the liquidity structure of the Group's assets, liabilities and commitments can meet its funding requirements from time to time.

FOREIGN EXCHANGE RISK

The Group operates in the PRC and Hong Kong. The Group's businesses are principally conducted in RMB and Hong Kong dollars ("HK\$"). Foreign exchange risk arises from a foreign currency deposit account and commercial transactions, recognised assets and liabilities, which are denominated in HK\$ that is not the functional currency of the Group entities.

The Group currently does not have a foreign currency hedge policy. In order to mitigate the foreign currency risk, management closely monitors such risks and will consider hedging significant foreign currency exposure should the need arise.

EMPLOYEES AND BENEFITS POLICIES

As at 31 December 2023, the Group had 5,536 employees (as at 31 December 2022: 4,584 employees). Employee remuneration is determined based on employee performance, skills, knowledge, experience and market trends. The Group regularly reviews compensation policies and programmes, and will make necessary adjustments in order to be in line with remuneration levels within industry norms. In addition to basic salaries, employees may be granted discretionary bonus based on individual performance. The remunerations of the Directors are determined based on a variety of factors such as

market conditions and responsibilities assumed by each Director. The Group offers training to its employees so as to enable them to acquire basic skills to perform their duties and to upgrade or improve their productivity.

OTHER INFORMATION

Events after the Reporting Period

Save as disclosed in this announcement, no other significant events of the Group occurred after the Reporting Period.

Purchase, Sale or Redemption of Listed Securities or Redeemable Securities of the Company

Neither the Company nor its subsidiary purchased, sold or redeemed any of the Company's listed securities at any time during the year ended 31 December 2023.

Compliance with the Corporate Governance Code

The Company has adopted and applied the code provisions of the Corporate Governance Code (the “**CG Code**”) set out in Appendix C1 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”), which was in force during the year ended 31 December 2023, as its own corporate governance code. To the best knowledge of the Directors, except for code provision C.2.1 set out below, the Company has complied with all applicable code provisions under the CG Code during the year ended 31 December 2023.

According to the CG Code, the roles of chairman of the board of directors of a company and the general manager should not be performed by the same individual. During the period from 1 January 2023 to 14 November 2023, the roles of chairman of the Board (“**Chairman**”) and general manager of the Company are performed by Mr. Sun Jie. On 14 November 2023, the Company appointed Mr. Song Ronghua as the general manager and Mr. Sun Jie continues to act as the Chairman. The Company has complied with code provision C.2.1 of the CG Code since 14 November 2023.

Compliance with Model Code for Securities Transactions

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 of the Listing Rules as the code of conduct and rules governing dealings by all the Directors and supervisors (the “**Supervisors**”) of the Company in the securities of the Company. Having made specific enquiry of all the Directors and Supervisors, they have confirmed that they have complied with the required standards set out in the Model Code during the year ended 31 December 2023.

Audit Committee

The Company has established the audit committee (“**Audit Committee**”) with written terms of reference in compliance with Rule 3.21 of the Listing Rules and the CG Code. The Audit Committee is authorised by the Board, and is responsible for reviewing and supervising the Group’s financial reporting procedures and internal control systems, risk management and internal audit and provide advice to the Board. The Audit Committee consists of three members, namely Ms. Tong Yan, Mr. Song Baocheng and Ms. Zhao Lu. The chairman of the Audit Committee is Ms. Tong Yan.

The Audit Committee has reviewed the audited consolidated financial statements and annual results of the Group for the year ended 31 December 2023, and discussed with the management of the Group the accounting principles and practices adopted by the Group, as well as matters such as internal control and financial report.

Scope of Work of Auditor

The figures in respect of the Group’s consolidated statement of comprehensive income, consolidated balance sheet and the related notes thereto for the year ended 31 December 2023 as set forth in this announcement have been reconciled by the Group’s auditor, Grant Thornton Hong Kong Limited (“**Grant Thornton Hong Kong**”), to the amounts set out in the Group’s audited consolidated financial statements for the year. The work performed by Grant Thornton Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Grant Thornton Hong Kong on the announcement of annual results.

Final Dividend

The Board proposed the distribution of a final dividend of RMB0.173 per share (before tax) for the year ended 31 December 2023, with a dividend payout ratio of approximately 50.44%, in cash. The dividend distribution plan shall be subject to the approval of the shareholders of the Company (the “Shareholders”) at the annual general meeting to be held on Thursday, 6 June 2024 (the “2023 AGM”) and such dividend is expected to be paid on or before Monday, 5 August 2024. The proposed final dividend will be declared in Renminbi and paid in Hong Kong dollars (for H Shares) and Renminbi (for domestic shares), the exchange rate of which will be calculated based on the average exchange rate of Renminbi against Hong Kong dollars published by the People’s Bank of China one calendar week prior to the 2023 AGM.

DIVIDEND TAX

According to the Law on Enterprise Income Tax 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 amended on 24 February 2017 and 29 December 2018, respectively, and its implementing rules, the Notice on the Issues Concerning Withholding and Paying Enterprise Income Tax on the Dividends Paid by PRC Resident Enterprises 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 and pay 10% enterprise income tax for such non-resident enterprise shareholders. Therefore, as a PRC domestic enterprise, the Company will, after withholding 10% of the annual dividend as enterprise income tax, distribute the annual dividend to non-resident enterprise Shareholders whose names appear on the Register of Members of H Shares, 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 holders of H Shares registered in the name of other organisations and groups. After receiving dividends, the non-resident enterprises Shareholders may apply to the competent tax authorities for enjoying treatment of tax 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 tax treaties (arrangement). After having verified that there is no error, the competent tax authorities 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 tax treaties (arrangement).

Pursuant to the Notice on the Issues Regarding Levy of Individual Income Tax after the Abolishment of Guo Shui Fa [1993] No. 045 Document (Guo Shui han [2011] No. 348) (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), the Company shall withhold and pay individual income tax for individual holders of H Shares. If the individual holders of H Shares are Hong Kong or Macau residents or residents of other countries or regions that have a tax rate of 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such Shareholders. If such Shareholders wish to claim refund of the amount in excess of the individual income tax payable under the relevant tax treaties, the Company may apply, on behalf of such Shareholders and according to the relevant tax treaties, for the relevant agreed preferential tax treatment, provided that the relevant Shareholders submit the relevant documents and information in a timely manner required by the Administrative Measures on Enjoying Treatment under Tax Treaties by Nonresident Taxpayers (State Administration of Taxation Announcement 2015, No. 60) (《非居民納稅人享受稅收協議待遇管理辦法》(國家稅務總局公告2015年第60號)) and the provisions of the relevant tax treaties. The Company will assist with the tax refund subject to the approval of the competent tax authorities.

If the individual holders of H Shares are residents of countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such Shareholders.

If the individual holders of H Shares are residents of countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such Shareholders. Shareholders are recommended to consult their tax advisors regarding the ownership and disposal of H Shares in the PRC and in Hong Kong and other tax effects.

Notice of the 2023 AGM

The 2023 AGM will be held on Thursday, 6 June 2024. A notice convening the 2023 AGM will be published on both the Stock Exchange's and the Company's websites via (<http://www.hkexnews.hk>) and (<http://www.jrjlife.com>) and dispatched to the Shareholders in accordance with the requirements of the Listing Rules in due course.

Closure of Register of Members

For the purpose of determining the Shareholders' eligibility to attend and vote at the 2023 AGM (and any adjourned meeting thereof), the register of members of the Company will be closed from Monday, 3 June 2024 to Thursday, 6 June 2024, both days inclusive, during which period no transfer of the Shares will be registered. In order for the H Shareholders to qualify for attending and voting at the 2023 AGM, all duly completed share transfer forms together with the relevant H Share certificates shall be lodged with the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Friday, 31 May 2024.

For determining the entitlement to the 2023 proposed final dividend (subject to the approval of the Shareholders at the forthcoming annual general meeting), the register of members of the Company will be closed from Thursday, 20 June 2024 to Monday, 24 June 2024, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the 2023 proposed final dividend, the holders of H Shares whose transfer documents have not been registered are required to deposit all duly completed share transfer forms together with the relevant share certificates to the Company's H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 19 June 2024.

Public Float

Based on information that is publicly available to the Company and within the knowledge of the Board as at the date of this announcement, the Company maintained sufficient public float in compliance with the Listing Rules.

Publication of the Annual Results Announcement and Annual Report

This announcement can be accessed on both the Stock Exchange's and the Company's websites via (<http://www.hkexnews.hk>) and (<http://www.jrjlife.com>), respectively. The annual report of the Company for the year ended 31 December 2023, which contains all the information required by the Listing Rules, will be despatched to the Shareholders and published on the above websites in due course.

Appreciation

On behalf of the Board, I would like to thank all our colleagues for their diligence, dedication, loyalty and integrity. I would also like to thank all our Shareholders, customers, bankers and other business partners for their trust and support.

By order of the Board
Financial Street Property Co., Limited
Sun Jie
Chairman

Beijing, the PRC, 27 March 2024

As at the date of this announcement, the Board comprises Mr. Sun Jie, Mr. Song Ronghua and Ms. Xue Rui as executive directors; Ms. Hu Yuxia, Mr. Li Liang and Ms. Zhao Lu as non-executive directors; and Mr. Song Baocheng, Ms. Tong Yan and Ms. Lu Qing as independent non-executive directors.