永升服务
EVER SUNSHINE SERVICES

CIFI Ever Sunshine Services Group Limited
旭 辉 永 升 服 务 集 团 有 限 公 司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1995)

(1) FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023; (2) CHANGE IN USE OF PROCEEDS FROM THE 2021 SUBSCRIPTION; AND (3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

SUMMARY

1. Revenue for 2023 was approximately RMB6,537.4 million, representing an increase of 4.2% from approximately RMB6,276.5 million for 2022.
2. The gross profit of the Group for 2023 was approximately RMB1,253.0 million, representing a decrease of 3.1% from approximately RMB1,293.3 million for 2022.
3. Profit for 2023 was approximately RMB530.0 million, representing a decrease of approximately 8.0%, as compared with approximately RMB575.9 million for 2022. Meanwhile, profit attributable to owners of the Company for 2023 was approximately RMB434.5 million, representing a decrease of 9.5% as compared with approximately RMB480.1 million for 2022.
4. During the year ended 31 December 2023, net cash inflow from operating activities of the Group amounted to approximately RMB913.1 million, while that was net cash outflow of approximately RMB1,019.7 million for 2022.
5. The Board paid an interim dividend of HK$0.045 per Share during the year ended 31 December 2023 (2022: 0.074 per Share). Furthermore, the Board recommended the payment of a final dividend of HK$0.0914 per Share for the year ended 31 December 2023 (2022: HK$0.0492 per Share). Total dividend for the full year of 2023 will achieve 50% of the profit attributable to owners of the Company for the year. The Company will endeavor to maintain a dividend payout ratio of no less than 50% in the next three years.
6. During the year ended 31 December 2023, the Company bought back an aggregate of 5,342,000 of its Shares on the Stock Exchange, accounting for 0.3% of the number of Shares in issue as at the date of this announcement. In addition, Mr. Zhou Hongbin and Mr. Zhou Di, each of them being an executive Director, purchased 5,300,000 and 2,300,000 Shares, respectively, on the open market during the year ended 31 December 2023.

The board (the "**Board**") of directors (the "**Directors**") of CIFI Ever Sunshine Services Group Limited (the "**Company**") is pleased to announce the audited consolidated results of the Company and its subsidiaries (together the "**Group**", "**we**", "**us**" or "**our**") for the year ended 31 December 2023 with comparative figures for the year ended 31 December 2022, which have been reviewed by the audit committee of the Company (the "**Audit Committee**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

		For the year ended 31 December	
	Notes	**2023**	2022
		RMB'000	*RMB'000*
Revenue	5	**6,537,423**	6,276,479
Cost of services		**(5,284,415)**	(4,983,196)
Gross profit		**1,253,008**	1,293,283
Other income and other gains and losses		**54,322**	175,476
Administrative expenses		**(472,206)**	(463,531)
Selling expenses		**(94,282)**	(100,078)
Expected credit loss on financial assets		**(46,113)**	(157,424)
Finance costs		**(5,868)**	(4,014)
Other expenses		**(8,117)**	(2,758)
Profit before taxation		**680,744**	740,954
Income tax expense	6	**(150,775)**	(165,062)
Profit and total comprehensive income for the year		**529,969**	575,892

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (Continued)

For the year ended 31 December 2023

		For the year ended 31 December	
	Note	**2023**	2022
		RMB'000	*RMB'000*
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**434,472**	480,111
Non-controlling interests		**95,497**	95,781
		529,969	575,892
Earnings per share (RMB)			
Basic and diluted earnings per share	8	**0.2484**	0.2742

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	**31 December 2023**	31 December 2022
		RMB'000	*RMB'000*
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment		**123,417**	129,708
Investment properties		**558,480**	556,684
Intangible assets		**318,494**	354,196
Goodwill		**1,488,171**	1,454,656
Deferred tax assets		**83,323**	68,134
Prepayments and other receivables		**399,230**	204,456
Financial assets at fair value through profit or loss ("**FVTPL**")		**362,663**	384,440
Deferred contract costs		**38,009**	10,893
		3,371,787	3,163,167
Current assets			
Inventories		**3,191**	2,985
Deferred contract costs		**3,661**	11,561
Trade and bills receivables	9	**2,181,546**	1,771,724
Prepayments and other receivables		**885,119**	1,514,438
Financial assets at FVTPL		**4,264**	15,590
Restricted cash		**38,165**	29,288
Cash and cash equivalents		**2,341,510**	1,534,374
		5,457,456	4,879,960

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

As at 31 December 2023

	Notes	**31 December 2023** *RMB'000*	31 December 2022 *RMB'000*
Current liabilities			
Trade and bills payables	10	**1,150,291**	1,002,163
Accruals and other payables		**1,335,495**	1,228,129
Borrowings		**40,769**	28,106
Contract liabilities	5(b)	**870,338**	669,185
Lease liabilities		**10,848**	11,219
Provision for taxation		**103,965**	104,932
		3,511,706	3,043,734
Net current assets		**1,945,750**	1,836,226
Total assets less current liabilities		**5,317,537**	4,999,393
Non-current liabilities			
Borrowings		**4,182**	48,057
Lease liabilities		**7,948**	14,943
Other long-term payables		**9,322**	13,174
Deferred tax liabilities		**82,451**	90,565
		103,903	166,739
Net assets		**5,213,634**	4,832,654
CAPITAL AND RESERVES			
Share capital		**15,480**	15,480
Reserves		**4,857,586**	4,580,467
Equity attributable to owners of the Company		**4,873,066**	4,595,947
Non-controlling interests		**340,568**	236,707
Total equity		**5,213,634**	4,832,654

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2023

1 GENERAL INFORMATION

CIFI Ever Sunshine Services Group Limited (the "**Company**") is a public limited company incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"). Its ultimate controlling parties are Mr. Lin Zhong, Mr. Lin Feng and Mr. Lin Wei. Upon completion of sales and purchase of the Company's share and execution of voting right entrustment agreement between the shareholders of the Company on 30 June 2020, Spectron Enterprises Limited (incorporated in the British Virgin Islands (the "**BVI**") became the immediate holding company of the Company and CIFI Holdings (Group) Co. Ltd. (incorporated in the Cayman Islands with its shares listed on the Stock Exchange) became the ultimate holding company of the Company. The address of its registered office is located at Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, the Cayman Islands.

The Company acts as an investment holding company. The Group, comprising the Company and its subsidiaries, is principally engaged in the provision of property management services, community value-added services, value-added services to non-property owners, and city services.

The consolidated financial statements are presented in Renminbi ("**RMB**"), which is the functional currency of the Company.

2 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain investment properties and financial instruments that are measured at fair values at the end of each reporting period.

3 APPLICATION OF NEW AND AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS

New and amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following new and amendments to HKFRSs issued by the HKICPA for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2023 for the preparation of the consolidated financial statements:

HKFRS 17 (including the October 2020 and February 2022 amendments to HKFRS 17)	Insurance Contracts
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
Amendments to HKAS 1 and HKFRS Practice Statement 2	Disclosure of Accounting Policies

Except as described below, the application of the new and amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on application of Amendments to HKAS 1 and HKFRS Practice Statement 2 Disclosure of Accounting Policies

The Group has applied the amendments for the first time in the current year. HKAS 1 Presentation of *Financial Statements* is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". 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 clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

HKFRS Practice Statement 2 *Making Materiality Judgements* (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in the consolidated financial statements.

4 SEGMENT INFORMATION

Information reported to the executive directors of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment focuses on revenue analysis. No other discrete financial information is provided other than the Group's results and financial position as a whole. Accordingly, only entity-wide disclosures, major customers and geographic information are presented.

Information about major customers

For the year ended 31 December 2023, revenue from CIFI Holdings (Group) Co. Ltd. and its subsidiaries (the "**CIFI Group**") contributed 7.2% (2022: 11.1%) of the Group's revenue. Other than the CIFI Group, the Group has a large number of customers, none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2023 (2022: none).

Information about geographical areas

The major operating entity of the Group is domiciled in the People's Republic of China ("PRC"). Accordingly, all of the Group's revenue were derived in the PRC for the year ended 31 December 2023 (2022: All).

As at 31 December 2023, all of the non-current assets were located in the PRC (2022: All).

5 REVENUE

Revenue mainly comprises of proceeds from property management services, community value-added services, value-added services to non-property owners and city services. An analysis of the Group's revenue by category was as follows:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue from contracts with customers		
– Property management services	**4,463,188**	3,887,811
– Community value-added services	**890,282**	1,020,063
– Valued-added services to non-property owners	**777,557**	964,429
– City services	**405,953**	403,350
	6,536,980	6,275,653
Others	**443**	826
Total	**6,537,423**	6,276,479
Timing of revenue recognition		
A point in time	**289,470**	312,167
Over time	**6,247,510**	5,963,486
	6,536,980	6,275,653

(a) Transaction price allocated to the remaining performance obligation for contracts with customers

Contracts for property management services and city services are usually long term and the Group bills a fixed amount for service provided regularly. The Group elected to apply the practical expedient by recognising revenue in the amount to which the Group has right to invoice. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Community value-added services and value-added services to non-property owners are for periods usually less than one year. As permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

(b) Details of contract liabilities

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

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Contract liabilities	**870,338**	669,185

As at 1 January 2022, contract liabilities amounted to RMB 597,347,000.

(i) Significant changes in contract liabilities

Contract liabilities of the Group arise from the advance payments made by customers while the property management services or value-added services are yet to be provided.

The increase in contract liabilities balance as at 31 December 2023 was mainly due to the increase in advance received from customers at the end of the year.

(ii) Revenue recognised in relation to contract liabilities

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

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in the balance of contract liabilities at the beginning of the year	**667,996**	587,966

6 INCOME TAX EXPENSE

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
PRC Enterprise Income Tax:		
Current tax	**174,898**	213,171
Under provision in respect of prior year	**992**	117
	175,890	213,288
Deferred tax		
Credited to profit or loss for the year	**(25,115)**	(48,226)
	150,775	165,062

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries are i) 25%, ii) 15% if registered or engaged in the encouraged industries and registered in the western region of the PRC, iii) 15% if regarded as advanced technology enterprise by local tax bureau or iv) 15% if registered and operating in the Hainan Free Trade Port.

Pursuant to the PRC Corporate Income Tax Law, a 10% withholding tax is levied on dividends declared to foreign investors from the foreign investment enterprises established in Mainland China.

Pursuant to the rules and regulations of the BVI and the Cayman Islands, the Group is not subject to any income tax in the BVI and the Cayman Islands.

No provision for Hong Kong Profits Tax has been made as the Group's income neither arises in, nor is derived from, Hong Kong.

7 DIVIDENDS

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Dividends for ordinary shareholders of the Company recognised as distribution during the year:		
2023 Interim - HK$0.045 (2022 Interim – HK$0.074) per ordinary share	**72,234**	113,071
2022 Final - HK$0.0492 (2021 Final – HK$0.1299) per ordinary share	**78,976**	185,047
	151,210	298,118

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2023 of HK$0.0914 (2022: final dividend in respect of the year ended 31 December 2022 of HK$0.0492) per ordinary share, in an aggregate amount of HK$159,879,000 (2022: HK$86,062,000), has been proposed by the board of the Company and is subject to approval by the shareholders in the forthcoming general meeting.

8 EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the equity owners of the Company is based on the following data:

	For the year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Earnings		
Profit attributable to the equity owners of the Company	**434,472**	480,111

	For the year ended 31 December	
	2023	2022
	Number'000	Number'000
Number of shares		
Weighted average number of ordinary shares	**1,749,220**	1,750,727

No diluted earnings per share was presented as there were no potential ordinary shares in issue for both years.

9 TRADE AND BILLS RECEIVABLES

	31 December	31 December
	2023	2022
	RMB'000	*RMB'000*
Trade receivables		
– Related parties	**913,198**	787,426
– Third parties	**1,535,600**	1,212,605
	2,448,798	2,000,031
Bills receivables	**2,027**	1,602
Total	**2,450,825**	2,001,633
Less: allowance for credit losses	**(269,279)**	(229,909)
	2,181,546	1,771,724

As at 1 January 2022, trade and bills receivables from contracts with customers amounted to RMB788,316,000.

All bills received by the Group are with a maturity period of less than one year.

Trade receivables mainly arise from property management services under lump sum basis, community value-added services, value-added services to non-property owners and city services.

Revenue from property management services under lump sum basis, community value-added services, value-added services to non-property owners and city services are received in accordance with the term of the relevant service agreements and are due for payment upon the issuance of demand note.

The maturity of the bills receivable of the Group as at 31 December 2023 and 2022 is within 6 months.

As at 31 December 2023 and 2022, the ageing analysis of the trade and bills receivables net of expected credit loss presented based on invoice date were as follows:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Within 1 year	**1,740,692**	1,524,357
1 to 2 years	**299,836**	164,039
2 to 3 years	**85,519**	62,037
3 to 4 years	**41,429**	18,065
4 to 5 years	**14,070**	3,226
	2,181,546	1,771,724

10 TRADE AND BILLS PAYABLES

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Trade payables		
– Related parties	**49,254**	63,709
– Third parties	**1,084,455**	925,685
	1,133,709	989,394
Bills payables	**16,582**	12,769
	1,150,291	1,002,163

Based on the receipt of services and goods, which normally coincided with the invoice dates, the ageing analysis of the Group's trade and bills payables as at 31 December 2023 and 2022 as follows:

	31 December 2023	31 December 2022
	RMB'000	*RMB'000*
Within 1 year	**868,873**	862,077
1 to 2 years	**209,118**	110,885
2 to 3 years	**50,141**	25,677
3 to 4 years	**21,519**	3,339
4 to 5 years	**640**	185
	1,150,291	1,002,163

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Overview

We are a reputable and fast-growing comprehensive property management service provider in the People's Republic of China ("**China**" or the "**PRC**"). In May 2023, we were honourably elected as one of the "2023 Top 100 Property Management Companies in China (2023中國物業服務百強企業)" and maintained our leading position as a top 10 company in the industry's overall strength ranking. As of 31 December 2023, we provided property management services, value-added services and city services in 110 cities in Mainland China, with a total contracted gross floor area ("**GFA**") of approximately 308.3 million square metres ("**sq.m.**"), among which, we had a total GFA under management of approximately 221.4 million sq.m., serving more than 1,010,000 households.

Our business covers a broad spectrum of properties, including residential properties and non-residential properties, covering office buildings, shopping malls, school campus, hospitals, scenic spots, government-owned buildings, expressway stations, rail transit, and ferry terminals, etc.. In addition, we also provide city services and other high-quality tailored services.

Adhering to the concept of "Building Better Lives", our core value is to let customer "be Trouble-Free, Worry-Free, and Discontent-Free (讓用戶省心、放心、開心)". We promote diversified development through technological innovation and adhere to the development strategy of "Platform + Ecosystem". Our mission is to provide comprehensive, caring and professional property management services to our customers and to grow into a customer-preferred smart city service brand.

Our Business Model

We operate four major business lines, namely (i) property management services; (ii) community value-added services; (iii) value-added services to non-property owners; and (iv) city services, which form a comprehensive service portfolio offering to our customers and cover the entire value chain of the property management industry.

1. Property management services: We provide a variety of property management services to property developers, property owners and residents, which primarily include cleaning, security, gardening and repair and maintenance services. We manage a portfolio of residential and non-residential properties. Our non-residential properties include office buildings, shopping malls, schools, hospitals, scenic spots, government-owned buildings, expressway service stations, rail transit and ferry terminals.

2. Community value-added services: We provide community value-added services to both property owners and residents with the aim of improving their living experiences, maintaining and enhancing their asset values. These services mainly cover (i) home-living services; (ii) parking unit management and leasing services; (iii) property agency services; and (iv) common area value-added services.

3. Value-added services to non-property owners: We provide a comprehensive range of value-added services to non-property owners, who primarily include property developers and, to a lesser extent, non-property developers who require certain additional tailored services in respect of their non-residential properties and property management services providers who outsource certain value-added services to us. Our value-added services to non-property owners mainly include (i) sales assistance services; (ii) additional tailored services; (iii) housing repair services; (iv) pre-delivery inspection services; and (v) preliminary planning and design consultancy services, which cover on-site inspection services for each unit to provide sufficient recommendations from the end-user's perspective.

4. City services: We can provide a wide range of city services. Such services mainly include (i) city environmental sanitation; (ii) waste sorting and treatment; (iii) installation of block facilities; (iv) landscaping project; (v) old communities renovation; and (vi) smart block construction.

Property Management Services

Continuous High Quality Development

We uphold our strategy of deepening city and insist on quality expansion as one of our strategic goals. During the year ended 31 December 2023, we achieved high quality development in contracted GFA and GFA under management through multi-wheel drivers.

As at 31 December 2023, our contracted GFA amounted to approximately 308.3 million sq.m. and the number of contracted projects was 1,678, representing an increase of approximately 1.6% and 8.8%, respectively as compared with those as at 31 December 2022. As at 31 December 2023, our GFA under management amounted to approximately 221.4 million sq.m. and the number of projects under management was 1,307, representing an increase of 5.5% and 13.9%, respectively as compared with those as at 31 December 2022.

The table below sets out the changes in our contracted GFA and GFA under management for the year ended 31 December 2023 and 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	Contracted GFA	**GFA under management**	Contracted GFA	GFA under management
	(sq.m. '000)	***(sq.m. '000)***	*(sq.m. '000)*	*(sq.m. '000)*
As at the beginning of the year	**303,435**	**209,954**	270,767	171,037
Additions[1]	**46,611**	**42,118**	53,010	46,845
Terminations[2]	**(41,781)**	**(30,664)**	(20,342)	(7,928)
As at the end of the year	**308,265**	**221,408**	303,435	209,954

Notes:

(1) With respect to our residential and non-residential projects under management, additions primarily included preliminary management contracts for new properties developed by real estate developers, property management service contracts pursuant to which we replaced the previous property management service providers, and property management contracts acquired through acquisitions of subsidiaries.

(2) These terminations included our voluntary non-renewals of certain property management services contracts as we reallocated our resources to more profitable engagements in order to optimize our property management portfolio.

Our Geographic Footprint

Since the Group's inception up to 31 December 2023, we have expanded our geographic footprint from Shanghai to 110 cities in China, aiming at deep regional penetration in pursuit of effective scale expansion.

The table below sets forth a breakdown, by geographic location, of our total GFA under management as at the dates indicated and the revenue generated from property management services for the year ended 31 December 2023 and 2022, respectively:

	As at 31 December or for the year ended 31 December					
	2023			2022		
	GFA	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	*%*	*sq.m. '000*	*RMB'000*	*%*
Eastern region[1]	**125,422**	**2,836,483**	**63.5**	121,874	2,255,671	58.1
Northern region[2]	**22,072**	**433,882**	**9.7**	22,249	434,986	11.2
Central Southern region[3]	**37,810**	**566,519**	**12.7**	35,363	529,937	13.6
Western region[4]	**28,112**	**499,013**	**11.2**	24,070	498,611	12.8
Northeastern region[5]	**7,992**	**127,291**	**2.9**	6,398	168,606	4.3
Total	**221,408**	**4,463,188**	**100.0**	209,954	3,887,811	100.0

Notes:

(1) Cities in the eastern region in which we have property management projects include Shanghai, Suzhou, Jiaxing, Hangzhou, Nanjing, Wuxi, Xiamen, Zhoushan, Zhangzhou, Rizhao, Liaocheng, Yangzhou, Lianyungang, Xuancheng, Jinhua, Chuzhou, Huzhou, Quanzhou, Zhenjiang, Zibo, Zunyi, Huaian, Wuhu, Huainan, Yantai, Shaoxing, Weihai, Suqian, Taizhou, Fuzhou, Yancheng, Weifang, Heze, Jining, Wenzhou, Taizhou, Fuyang, Dezhou, Xuzhou, Linyi, Nantong, Changzhou, Jinan, Dongying, Anqing, Ningbo, Binzhou, Qingdao and Hefei.

(2) Cities in the northern region in which we have property management projects include Beijing, Tianjin, Shijiazhuang, Taiyuan, Cangzhou, Tangshan, Langfang and Handan.

(3) Cities in the central southern region in which we have property management projects include Shenzhen, Foshan, Wuhan, Zhengzhou, Changsha, Nanyang, Jiangmen, Putian, Dali Bai Autonomous Prefecture, Guangzhou, Nanchang, Huanggang, Zhoukou, Huizhou, Guilin, Nanning, Yichang, Shaoyang, Zhuzhou, Xiangtan, Zhongshan, Shangqiu, Xuchang, Dongguan, Xiangxi Tujia-Miao Autonomous Prefecture, Nujiang Lisu Autonomous Prefecture, Yueyang, Changde, Hengyang, Liuzhou and Luoyang.

(4) Cities in the western region in which we have property management projects include Xi'an, Chengdu, Chongqing, Baoji, Anshun, Weinan, Luliang, Tianshui, Urumqi, Xiangyang, Xining, Zaozhuang, Yinchuan, Hohhot, Baiyin, Guiyang, Liupanshui and Kunming.

(5) Cities in the northeastern region in which we have property management projects include Changchun, Harbin, Shenyang and Dalian.

Pursuit of Continuous Expansion of an Effective Scale

Handling of Business Transactions with CIFI Group in accordance with market-oriented principle

As a long-term service partner of CIFI Holdings (Group) Co. Ltd. ("**CIFI Holdings**") (Stock Code: 00884) and its subsidiaries (excluding the Group) (the "**CIFI Group**"), we have been building a stable market-oriented collaborative partnership with CIFI Group. Looking back at 2023, the market environment of the real estate industry in the PRC remained challenging and recovery has been weak. These challenges have also had a continued negative impact on the property management services industry. We still adhered to the principle of "conducting business with the CIFI Group in accordance with market-based principles", which enabled us to respond to the crisis relatively effectively and keep the impact on our property management services business within a manageable range. We have continued to improve and adjust our strategies to ensure that our cooperation with CIFI Group continues to develop steadily. In this challenging environment, we will cooperate closely together to meet the opportunities and challenges that the future brings.

Continued Refinement of Independent Third-party Market Development Capabilities

As one of the key drivers of the Company's expansion, we have always endeavoured to diversify into third-party markets. By expanding our resources to various independent markets, we continue to increase our market share. At the same time, we continue to improve our ability to build teams to achieve better empowerment results. This proactive strategy has enabled us to remain competitive in an ever-changing environment and has brought about sustained scale growth for the Company. The main targets of our market expansion include regional property developers, property owners' committees, local governments, and commercial and corporate clients. To acquire management rights for property developers' first-hand projects, we participated in the tender bidding of their new development projects. In 2023, we acquired high-quality first-hand projects such as Beijing Anlin Jiayuan (北京安林嘉苑), Suzhou Shanlan Jingting (蘇州山嵐璟庭), Changzhou Binjiang Haoyuan (常州濱江豪園), Nanning Xiangjiangyuan (南寧祥江苑) and Harbin Yangguang Bojinfu (哈爾濱陽光鉑金府).

To acquire management rights for second-hand projects, we joined in the tender bidding offered by the property owners' committees to replace the previous property management service provider. In 2023, we acquired premium second-hand projects, such as the Future Block of Jinsha Yayuan in Shanghai (上海金沙雅苑未來街區), Shanghai Shanda Garden (上海盛大花園), Dafa Triumphal Gate in Wenzhou (溫州大發凱旋門), the first part of Gaoxin Tinglin in Suzhou (蘇州高新亭林一部), Nanjing Suning Ruicheng Galaxy International Neighbourhood (南京蘇寧睿城銀河國際街區) and Hangzhou Hetian Shangcheng (杭州賀田尚城) through public bidding.

We also participated in government procurement, including tenders for public construction projects such as sports stadiums, rail transit, transportation hub points and office buildings. In 2023, we acquired premium public construction projects such as Ningde Hospital of Traditional Chinese Medicine (寧德市中醫院), Qinghai Women and Children's Hospital (青海省婦女兒童醫院), Xi'an Metro Line 3 (西安市地鐵3號線), Dalian Airport (大連機場) and Zouping Municipal Party Committee School in Binzhou (濱州鄒平市委黨校).

In addition, we established a "Commercial Property Division" within the Company with the aim of developing a more professional and refined approach to commercial and corporate services in the long term. In 2023, we acquired projects for corporate headquarters and office parks such as Yufu Building (渝富大廈), Hangzhou Fuchun Medical Care International Community for the Elderly (杭州富春醫養國際養老社區), Tianjin Caijiao Dongjiagang Bonded Zone (天津菜鳥東疆港保税園區) and nine SF-EXPRESS Industrial Parks (順豐產業園) in Wenzhou, Hefei and Zhengzhou.

Since the implementation of market-oriented expansion, through years of accumulation, the Group has successfully built a solid bidding outreach capabilities, and we believe that with the Company's constantly improving comprehensive strength and better reputation brand support, through our continuous enhancement of the industry standards and improving the bidding outreach technical means, we will certainly achieve a more robust business growth.

Strategic Mergers and Acquisitions

Strategic mergers and acquisitions have been a crucial part of our development process. In terms of mergers and acquisitions, the Group adheres to the principle of "Selects the target carefully before investment; conducts effective management after investment (投前精選標的,投後完善管理)". Through strategic mergers and acquisitions, we increased our market share in existing markets, expanded our regional business scales, and made up the weaknesses among sectors quickly to enhance our multi-sector services capabilities.

Since the listing (the "**Listing**") of the Company's ordinary shares (the "**Share(s)**") on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**"), we adhered to the prudent principle for mergers and acquisitions and have acquired companies for different type of properties such as Zhengzhou Jinyi Property Service Co., Ltd.* (鄭州錦藝物業服務有限公司) for residential sector, Qingdao Yayuan Property Management Co., Ltd.* (青島雅園物業管理有限公司) and Shanghai Macalline Property Management Services Co., Ltd.* (上海美凱龍物業管理服務有限公司) for commercial and office space sector, Jiangsu Xiangjiang Property Development Co., Ltd.* (江蘇香江物業發展有限公司) for public facilities sector, Shandong XinJian Property Development Co., Ltd.* (山東鑫建物業發展有限公司) for logistics park sector, Hunan Meizhong Biophysical Environment Technology Co., Ltd.* (湖南美中環境生態科技有限公司) ("**Meizhong Environmen**t") for city sanitation and Huaxi Xin'an (Beijing) Property Management Co., Ltd.* (華熙鑫安 (北京)物業管理有限公司) for mixed-use complex sector, and all have achieved positive post-investment integration results. During the year ended 31 December 2023, we completed the acquisition of Beijing Hangteng Property Management Co., Ltd.* (北京航騰物業管理有限責任公司) ("**Beijing Hangteng**"). Overall, however, since 2022, we reduced the number of mergers and acquisitions due to the continued disturbance in the external environment and the Company's prudent internal risk management requirements.

It is particularly worth mentioning that, due to our adherence to the disciplined principles of strategic mergers and acquisitions, all of the projects that we have historically merged and acquired have achieved good integration with us, and have all reached the performance requirement targets, and it is expected that the existing acquired and integrated companies will be able to achieve better business operation and realize better performance contribution in the future.

The table below sets forth the breakdown, by types of property developers, of our total GFA under management as at the dates indicated:

	As at 31 December			
	2023		2022	
	GFA		GFA	
	sq.m. '000	*%*	*sq.m. '000*	*%*
CIFI Group[1]	**56,277**	**25.4**	42,038	20.0
Third-party property developers[2]	**165,131**	**74.6**	167,916	80.0
Total	**221,408**	**100.0**	209,954	100.0

Notes:

(1) Included properties solely developed by CIFI Group and properties jointly developed by CIFI Group and other property developers (CIFI Group held a controlling interest in such properties).

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers (CIFI Group did not hold a controlling interest in such properties).

Strengthening Position as a Comprehensive Property Management Service Provider

We manage a wide range of properties, including residential and non-residential properties. We have accumulated tremendous experience in managing non-residential properties, including office buildings, shopping malls, industrial parks, hospitals and schools etc.. Meanwhile, with the further opening up of the non-residential market, we were offered with more opportunities to participate in the tender bidding in such market and expand market share. We seized the emerging market opportunities and entered the sub-sectors in the non-residential market, including headquarters buildings for large enterprises, expressway services stations, subway rail transit, tourist scenic spots and industrial exhibition centers. We treat the acquired projects as a stepping stone to set up benchmarks and continue to achieve penetrative development in local markets, thereby achieving the increase in the concentration in local market. Despite the fact that revenue generated from residential property projects has contributed and will continue to contribute the largest proportion of our property management revenue, we strive to diversify our service portfolio to get more development of refinement and specialization in the non-residential properties. As at 31 December 2023, non-residential properties accounted for approximately 31.6% in our GFA under management.

The table below sets forth a breakdown, by different types of properties as they were developed, of our total GFA under management as at the dates indicated and revenue from property management services generated therefrom for the year ended 31 December 2023 and 2022, respectively:

	As at 31 December or for the year ended 31 December					
	2023			2022		
	GFA	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	***%***	*sq.m. '000*	*RMB'000*	*%*
Residential properties	**151,381**	**2,569,020**	**57.6**	133,609	2,133,744	54.9
Non-residential properties	**70,027**	**1,894,168**	**42.4**	76,345	1,754,067	45.1
Total	**221,408**	**4,463,188**	**100.0**	209,954	3,887,811	100.0

Lump Sum Basis and Commission Basis

We generally price our services by taking into account, among others, factors such as the characteristics and locations of the residential communities, our budget, targeted profit margins, property owner and resident profiles and the scope and quality of our services. We charge property management fees primarily on a lump sum basis, with a small portion of which charged on a commission basis.

The following table sets forth a breakdown, by revenue model, of our total GFA under management as at the dates indicated and revenue from property management services for the year ended 31 December 2023 and 2022, respectively:

	As at 31 December or for the year ended 31 December					
	2023			2022		
	GFA	**Revenue**		GFA	Revenue	
	sq.m. '000	***RMB'000***	*%*	*sq.m. '000*	*RMB'000*	*%*
Lump sum basis	**219,420**	**4,460,256**	**99.9**	206,802	3,883,195	99.9
Commission basis	**1,988**	**2,932**	**0.1**	3,152	4,616	0.1
Total	**221,408**	**4,463,188**	**100.0**	209,954	3,887,811	100.0

Community Value-Added Services

During the year ended 31 December 2023, a variety of community value-added services struggled to advance amidst the challenges of a slower-than-expected macroeconomic recovery and a weak property market in the PRC, while we focused more on community value-added services development and gave up some of the businesses with low gross profit margins and poor sustainability. During the year ended 31 December 2023, revenue from community value-added services was approximately RMB890.3 million, representing a decrease of approximately 12.7% as compared with approximately RMB1,020.1 million for the year ended 31 December 2022.

Promoting rapid development of community value-added services and establishing a value-added service development system is one of the Group's key strategic development directions. We adhered to the concept of "something must be done and some must not be done (有所為、有所不為)" and developed value-added service products suitable for property owners, based on the needs of community property owner so as to boost the revenue generated from community value-added services.

With the expansion of our service scope, we have more mature experience in community value-added services and continue to optimize and upgrade our talent team. We have continued to deepen our research on community scenarios and service target groups, and have been advancing in a number of dimensions, including demand identification, product and service design, channel and supplier selection, and marketing plan development. Although we were still facing various challenges in 2023, community value-added services continued to strive to advance. The Group will continue to follow the strategy of driving up the proportion of revenue from community value-added services, and will continue to improve the quality of our services to achieve more sustainable development.

We insist on adopting the "Platform + Ecosystem" strategy, by applying the business unit ("**BU**") approach to our growing specialized business. Using the expanding communities as the basis of our platform, we aim to achieve the goal of continuous development and specialization of each professional BU on the platform. In 2023, on the basis of the successful development of such BU as community maintenance and repairing, home decoration, and property agency services, we further promoted the development of our home service business. While increasing our strategic focus, we are also reinventing our products and business model. In the future, we will continue to promote value-added businesses that are in line with our business development strategy so that they can gradually become independent business units.

Currently, our community value-added services cover four major areas, namely home-living services, parking unit management and leasing services, property agency services, and common area value-added services. The following table sets forth the breakdown of revenue from our community value-added services for the year ended 31 December 2023 and 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Home-living services(1)	**496,863**	**55.8**	606,561	59.5
Parking unit management and leasing services(2)	**154,439**	**17.3**	131,771	12.9
Property agency services(3)	**135,824**	**15.3**	170,658	16.7
Common area value-added service(4)	**103,156**	**11.6**	111,073	10.9
Total	**890,282**	**100.0**	1,020,063	100.0

Notes:

(1) This primarily included house delivery-stage renovation services such as house decoration, partial house renovation, turnkey furnishing etc.; mature community services such as on-site maintenance, housekeeping and cleaning, home management, secondary renovation, community group purchasing etc.; and special services such as facilities and equipment repair, maintenance and renovation for communities.

(2) This primarily included fees received from leasing and management of parking units.

(3) This primarily included agency sales and agency leasing of apartments and parking unit.

(4) This primarily included service income received from leasing and management of common areas.

Value-Added Services to Non-Property Owners

We provide value-added services to non-property owners, which comprise sales assistance services that primarily include display units management services (the scope of services mainly covers security, cleaning, greening, reception etiquette, and other services for display units), additional tailored services, preliminary planning and design consultancy services, housing repair services, and pre-delivery inspection services. We extend the professional services of property management to the front end of real estate development. Most of these non-property owners are property developers.

During the year ended 31 December 2023, revenue from value-added services to non-property owners decreased by approximately 19.4% to approximately RMB777.6 million as compared with RMB964.4 million for the year ended 31 December 2022, mainly due to the weakened real estate market in China. Under the guidance of the "Vertical Industry Chain Expansion Strategy", we have enhanced professionalism level and service capacity. Along with providing services to CIFI Group, more third-party property developers have commissioned us to provide value-added services.

The table below sets forth a breakdown of our revenue generated from our value-added services provided to non-property owners for the year ended 31 December 2023 and 2022, respectively:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Sales assistance services	**224,449**	**28.8**	334,013	34.6
Additional tailored services	**339,982**	**43.7**	394,321	40.9
Preliminary planning and design consultancy services	**46,316**	**6.0**	70,095	7.3
Housing repair services	**122,690**	**15.8**	121,203	12.6
Pre-delivery inspection services	**44,120**	**5.7**	44,797	4.6
Total	**777,557**	**100.0**	964,429	100.0

City Services

With the continuous development of social governance and the socialisation of logistic services for the authorities, the Company has gradually expanded from the traditional residential property sector to the non-residential sector and extended to the city services operation level in accordance with the market demand and the development direction of the "big property services (大物業)" strategy. Since 2020, we have gained experiences in urbanization services through strategic cooperation with regional urban investment platforms such as Shanghai Lingang New City Investment & Construction Co., Ltd.* (上海臨港新城投資建設有限公司) and Wuxi Huishan State-owned Investment Holding Group Co., Ltd.* (無錫市惠山國有投資控股集團有限公司). Meanwhile, we have further built up our professional capabilities in city services through the acquisition and integration of Meizhong Environment in 2021.

At the initial stage of our Listing, we launched the Company's mission "Building Better Lives". Subsequently, in 2020, we first announced the Company's vision to "Grow into A Customer-preferred Smart City Service Brand". After continuous exploration and research, we have positioned the Company's city services in three directions:

(i) city municipal services butler: focusing on environmental sanitation and greening, as well as old community renovation services;

(ii) city asset management assistant: dedicated to the effective management of city idle space and area resource; and

(iii) city future development partner: participating in the construction of smart cities and becoming an important player in city development.

We have become a property management company covering the business of city services, and will constantly strive to realize the Company's mission and vision to provide premium smart city services to our customers.

FUTURE OUTLOOK

In 2023, we made positive progress as we endeavoured to overcome challenges in the face of a complex and volatile economic environment. As a property management company, we have always put employee safety first and actively cooperated with the local government in neighbourhood management work to provide property owners with a safe and convenient living environment. Despite the less-than-expected economic recovery, we closely monitored market trends, flexibly adjusted our strategies and continued to improve our service quality. In 2024, the management will continue to lead the team to fast-track the company's goals and provide excellent property services to our customers, adhering to the philosophy of "Building Better Lives".

Step-up Increase in our Business Size and Market Share

We plan to increase the number of properties under management and GFA, and further optimize our professional marketing team to strategically assess and participate in biddings to acquire more property management business and enhance our service quality. We will increase our business footprint and project density in strategic regions with higher population density and consumption capacity, focusing on 100 cities.

Leveraging on the Group's strong brand, we have also established strategic alliances with property developers and urban construction investment companies to provide property management services for their projects, further penetrate into strategic regions. Moreover, we will focus on managing more non-residential properties, such as hospitals, exhibition centres and industrial parks, to seize the opportunity of service socialization and diversify our portfolio of properties under management.

With the continuous improvement of the Group's capabilities and opportunities arising in the industry, we will also gradually expand the scope of our business and actively layout opportunities in areas such as city services.

Continuous Endeavour to Diversify our Services

We plan to further diversify our value-added services to non-property owners by enhancing our capabilities in preliminary planning and design consultancy services, project quality monitoring services, pre-delivery inspection services, sales assistance services and housing repair services.

While providing value-added services to property developers, we will enhance full industry chain coverage for property development, sales and management so as to achieve vertical industry extension, and acquire more opportunities to gain property management projects.

Meanwhile, we also plan to provide consultancy services to local property management companies to expand our business scope and enhance our brand awareness.

We will continue to diversify our service offerings to meet the ever-changing needs of our customers and expand our business scope to provide more comprehensive and premium property management solutions.

Community value-added services have always been our strategic focus "to make the platform bigger and stronger, and to make the ecosystem better and more thorough (做大做強平台、做優做透生態)". We will continue to implement the BU system and operate the specialized business after validation of business logic in an independent manner with more focus, professionalism and talent. We hope to increase our market penetration rate and reach out to the common needs of property owners in a better and broader way.

Continuing to Bring in Talents and Upgrade Organization

We continue to bring in quality young talents to the Group through our "Endless Dynamic (永動力)" campus recruitment programme. With the expansion of our management scale and the upgrading of our service offerings, we are committed to nurturing a team of passionate and talented people who are closely linked to the development of the Company. For senior management, we uphold the strategy of "vacating cage to change bird (騰籠換鳥)", aiming to build an excellent senior management team with vision and consensus. At the same time, we provide middle-level management with sufficient room for growth and professional training in various businesses. We create a multi-talented and multi-capable organization through layers of screening to stimulate the team's vitality and creativity.

We will continue to strengthen our talent introduction and organizational upgrading efforts to continuously inject new vitality and momentum into the Company's development. We believe that by continuously optimizing our talent pool, we will be better able to cope with challenges, seize opportunities and achieve long-term prosperity for the Company.

Further Investment in Technologies and Intelligent Operations

We will further invest in technology and smart operations to enhance our quality and operational efficiency. Back in 2019, we established Linjiu Intelligent Technology Co., Ltd.* (霖久智慧科技有限公司), which is committed to digital construction, in order to improve service quality management and enable technology drive the property revolution.

In our future plans, we will invest further in the upgrade of our internal management system. We will optimize our enterprise resource planning (ERP) information system, office automation system, financial system, human resources system and contract management system, etc. We will also build a big data information sharing platform, comprising management tools such as customer relationship management (CRM) cloud, property management cloud, bill management cloud and parking cloud, to achieve the interconnection of information among property owners, our employees, and business partners. At the same time, we plan to establish a centralized command center to achieve remote control of our operation, conduct data analysis, reduce intermediate logistics and improve management accuracy and efficiency.

We will continue to press forward with the progress towards standardization, centralization, digitalization and automation to ensure the consistent delivery of quality services with minimal human errors and to exercise effective control on operational costs. Through the innovation and application of technology, we will bring smarter and more efficient property management services to our customers and achieve overall progress in the property industry.

FINANCIAL REVIEW

Revenue

In 2023, the Group's revenue was approximately RMB6,537.4 million, representing an increase of 4.2% from approximately RMB6,276.5 million in 2022.

Revenue of the Group by business line for the years indicated is as follows:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
Property management services	**4,463,188**	**68.2**	3,887,811	61.9
Community value-added services	**890,282**	**13.6**	1,020,063	16.3
Value-added services to non-property owners	**777,557**	**11.9**	964,429	15.4
City services	**405,953**	**6.2**	403,350	6.3
Others	**443**	**0.1**	826	0.1
Total revenue	**6,537,423**	**100.0**	6,276,479	100.0

The revenue generated from property management services was still our largest source of revenue. During 2023, the revenue from property management services was approximately RMB4,463.2 million, accounting for 68.2% of the Group's total revenue. The increase in revenue from property management services was primarily driven by our steady cooperation with CIFI Group, our continuous efforts to expand third-party customer base, and our acquisition of other property management service providers. The following table sets out the Group's revenue derived from property management services by type of property developer during the years indicated:

	For the year ended 31 December			
	2023		2022	
	RMB'000	***%***	*RMB'000*	*%*
CIFI Group[(1)]	**1,285,865**	**28.8**	1,082,755	27.8
Third-party property developers[(2)]	**3,177,323**	**71.2**	2,805,056	72.2
Total revenue	**4,463,188**	**100.0**	3,887,811	100.0

Notes:

(1) Included properties solely developed by CIFI Group and properties that CIFI Group jointly developed with other property developers in which CIFI Group held a controlling interest.

(2) Referred to properties solely developed by third-party property developers independent from CIFI Group, as well as properties jointly developed by CIFI Group and other property developers in which CIFI Group did not hold a controlling interest

The revenue from community value-added services decreased from approximately RMB1,020.1 million for 2022 to approximately RMB890.3 million for 2023, representing a decrease of 12.7%. The decrease in revenue from community value-added services was mainly due to the decrease of revenue from home-living services and property agency services, which were affected by the overall economic situation and weakened property market in China during the year ended 31 December 2023.

The revenue from value-added services to non-property owners decreased by approximately 19.4% from approximately RMB964.4 million for 2022 to approximately RMB777.6 million for 2023. Such decrease was mainly due to the downturn of the real estate industry in the PRC during the year ended 31 December 2023.

During the year ended 31 December 2023, the revenue generated from city services was approximately RMB406.0 million, representing an increase from RMB403.4 million for the year ended 31 December 2022.

Cost of Services

Cost of services increased by approximately 6.0% from approximately RMB4,983.2 million for 2022 to approximately RMB5,284.4 million for 2023, primarily due to the increase of various kinds of costs as a result of the scale-up of our business during the year ended 31 December 2023. We will continuously invest in intelligent operation and conduct effective cost control measures to improve our operation efficiency.

Gross profit

As a result of the above principal factors, the Group's gross profit decreased by approximately 3.1% from approximately RMB1,293.3 million for 2022 to approximately RMB1,253.0 million for 2023.

Gross profit margin of the Group for major business lines for the years indicated was as follows:

	For the year ended 31 December	
	2023	2022
Property management services	**18.8%**	19.4%
Community value-added services	**31.3%**	29.7%
Value-added services to non-property owners	**13.1%**	21.3%
City services	**8.4%**	7.6%
Overall	**19.2%**	20.6%

In 2023, the gross profit margin of the Group was 19.2%, representing a decrease of 1.4 percentage points as compared with that of 20.6% for 2022, which was primarily due to the decrease in gross profit margin of our property management services and value-added services to non-property owners, as well as the decrease in the proportion of revenue from community value-added services which has a relatively higher gross profit margin during the year ended 31 December 2023.

The gross profit margin of property management services was 18.8% for the year ended 31 December 2023, decreased from that of 19.4% for 2022, which was primarily due to the recovery in cost of property management services after the pandemic is over during the year ended 31 December 2023.

The gross profit margin of community value-added services was 31.3% for the year ended 31 December 2023, increased from that of 29.7% for 2022, which was mainly due to the decrease in the proportion of revenue from home-living services during the year ended 31 December 2023, which has a relatively lower gross profit margin.

The gross profit margin of value-added services to non-property owners was 13.1% for the year ended 31 December 2023, decreased from that of 21.3% for 2022, which was mainly due to the weak condition of China's property development market during the year ended 31 December 2023.

The gross profit margin of city services was 8.4% for the year ended 31 December 2023, increased from that of 7.6% for 2022, which is mainly contributed by better business operations and cost control of the Group during the year ended 31 December 2023.

Other income and other gains and losses

In 2023, the Group's other income and other gains and losses recorded a net gain of approximately RMB54.3 million, representing a decrease of 69.1% from approximately RMB175.5 million for 2022, primarily due to the loss from fair value changes of financial assets at FVTPL suffered during the year ended 31 December 2023.

Administrative and selling expenses

In 2023, the Group's total administrative and selling expenses amounted to approximately RMB566.5 million, representing a slight increase of approximately 0.5% from approximately RMB563.6 million for 2022, which was mainly due to the growth of our business volume during the year ended 31 December 2023. The Group attached great importance to improving management efficiency. During the year ended 31 December 2023, the growth rate of the Group's administrative and selling expenses was much lower than that of the Group's revenue.

Other expenses

During the year ended 31 December 2023, the Group recorded other expenses of approximately RMB8.1 million, representing an increase from approximately RMB2.8 million for 2022. Such increase was mainly due to the increase in provisions for contingent liability and litigation expenses during the year ended 31 December 2023 due to the volatile economic environment.

Profit before taxation

During the year ended 31 December 2023, the profit before income tax was approximately RMB680.7 million, representing a decrease of approximately 8.1% as compared with approximately RMB741.0 million for 2022.

Income tax expense

During the year ended 31 December 2023, the Group's income tax was approximately RMB150.8 million, representing 22.1% of the profit before income tax expense in 2023, while the income tax was approximately RMB165.1 million, representing 22.3% of the profit before income tax expense in 2022.

Profit attributable to owners of the Company

The profit attributable to owners of the Company for 2023 was approximately RMB434.5 million, representing a decrease of approximately 9.5% as compared with approximately RMB480.1 million for 2022.

Property, plant and equipment

Property, plant and equipment of the Group mainly consisted of buildings, leasehold improvements, computer equipment, transportation equipment, as well as other fixed assets. As at 31 December 2023, the Group's property, plant and equipment amounted to approximately RMB123.4 million, representing a decrease from approximately RMB129.7 million as at 31 December 2022, which was mainly caused by the depreciation during the year ended 31 December 2023.

Investment properties

Our investment properties mainly comprised buildings, parking spaces and storage rooms at the properties we owned. As at 31 December 2023, the Group's investment properties amounted to approximately RMB558.5 million, representing an increase from approximately RMB556.7 million as at 31 December 2022, which was mainly caused by the changes in fair value of the investment properties.

Intangible assets

The Group's intangible assets mainly comprised property management contracts and customer relationship attributable to acquired companies, and information technology systems. As at 31 December 2023, the Group's intangible assets amounted to approximately RMB318.5 million, representing a decrease from approximately RMB354.2 million as at 31 December 2022, which was mainly caused by the amortization of intangible assets during the year ended 31 December 2023.

Goodwill

As at 31 December 2023, the Group's goodwill amounted to approximately RMB1,488.2 million, representing an increase from approximately RMB1,454.7 million as at 31 December 2022. This increase in goodwill was mainly resulted from the acquisition of Beijing Hangteng from an independent third party during the year ended 31 December 2023.

Trade and bill receivables

Our trade and bill receivables mainly arose from property management services income under a lump sum basis, value-added services to non-property owners and city services. As at 31 December 2023, trade and bills receivables of the Group amounted to approximately RMB2,181.5 million, representing an increase from approximately RMB1,771.7 million as at 31 December 2022. Such increase was mainly due to the slow down of recovery of receivables because of the downward market situation of the real estate industry in the PRC during the year ended 31 December 2023.

Prepayments and other receivables

Our prepayments and other receivables mainly consisted of payments made on behalf of our residents such as payments for the utility bills and public facility maintenance fund, as well as security deposits with local authorities for providing property management services per local law requirements, biding deposits in relation to the public biddings, deposits for exclusive sales representative agreements to secure the sales fund recovery of car parks, storage units and retail shops, and prepayments to vendors. As at 31 December 2023, our prepayments and other receivables amounted to approximately RMB1,284.3 million, representing a decrease from approximately RMB1,718.9 million as at 31 December 2022, which was mainly due to the decrease of deposits for exclusive sales representative agreement during the year ended 31 December 2023.

Financial assets at FVTPL

Financial assets at FVTPL mainly include investments in a listed entity and investments in several closed-end funds. As at 31 December 2023, the balance of financial assets at FVTPL of the Group amounted to approximately RMB366.9 million, representing a decrease from RMB400.0 million as at 31 December 2022. Such decrease was mainly caused by the fluctuation in fair value of the financial assets during the year ended 31 December 2023.

Cash and cash equivalents

As at 31 December 2023, the Group's cash and cash equivalents were approximately RMB2,341.5 million, representing an increase from approximately RMB1,534.4 million as at 31 December 2022, which was mainly contributed by the net cash inflow from operating activities during the year ended 31 December 2023.

Trade and bills payables

As at 31 December 2023, trade payables of the Group amounted to approximately RMB1,150.3 million, representing an increase from approximately RMB1,002.2 million as at 31 December 2022, which was mainly a result of the increase in sub-contracting cost due to expansion of our business and we continued to sub-contract certain services to third-parties to optimize our operations during the year ended 31 December 2023.

Accruals and other payables

As at 31 December 2023, our accruals and other payables was approximately RMB1,335.5 million, representing an increase from approximately RMB1,228.1 million as at 31 December 2022, which was mainly due to the increase of other payables, caused by the expansion of our business during the year ended 31 December 2023.

Contract liabilities

Contract liabilities of the Group were fees paid by customers in advance for the services which had not been provided and not been recognized as revenue. As at 31 December 2023, our contract liabilities amounted to approximately RMB870.3 million, representing an increase from approximately RMB669.2 million as at 31 December 2022, which was primarily due to the increase in our customer base during the year ended 31 December 2023.

Cash flows

During the year ended 31 December 2023, net cash inflow from operating activities of the Group amounted to approximately RMB913.1 million, while that was net cash outflow of approximately RMB1,019.7 million for 2022. The net cash inflow was mainly due to the decrease of prepayments and other receivables as well as increase of contract liabilities during the year ended 31 December 2023.

During the year ended 31 December 2023, net cash inflow from investing activities amounted to approximately RMB120.8 million, while that was net cash outflow of approximately RMB983.6 million for 2022. The net cash inflow during the year ended 31 December 2023 was mainly caused by the refund during the year ended 31 December 2023 of prepayment for purchases of financial assets at FVTPL.

Net cash outflow from financing activities amounted to approximately RMB223.8 million for the year ended 31 December 2023, representing a decrease from that of approximately RMB448.5 million for 2022. The lower cash outflow from financing activities was mainly due to the decrease in dividends payment by the Company during the year ended 31 December 2023.

Gearing ratio and the basis of calculation

As at 31 December 2023, the gearing ratio of the Group was 0.86% (31 December 2022: 1.58%). The gearing ratio is equal to the sum of long-term and short-term interest-bearing borrowings divided by total equity.

Capital expenditure

During the year ended 31 December 2023, capital expenditure of the Group amounted to approximately RMB51.2 million (2022: RMB550.6 million). The capital expenditure was mainly used to invest in information technology systems and software as well as transportation equipment and leasehold improvements for business operation during the year ended 31 December 2023.

Capital structure

As at 31 December 2023, the Group's cash and bank balances were held in Renminbi, Hong Kong dollar and US dollar, and the Group's borrowings were denominated in Renminbi with approximately RMB12.0 million at fixed interest rates and approximately RMB33.0 million at variable interest rates.

As at 31 December 2023, equity attributable to owners of the Company amounted to approximately RMB4,873.1 million, as compared to approximately RMB4,595.9 million as at 31 December 2022.

Financial position of the Group remained stable. As at 31 December 2023, the Group's net current assets was approximately RMB1,945.8 million (31 December 2022: RMB1,836.2 million), while the current ratio (current assets/current liabilities) of the Group was approximately 1.6 (31 December 2022: 1.6).

Liquidity and financial resources

During the year ended 31 December 2023, the Group's principal use of cash was working capital, which was mainly funded from cash flow from operations. In the foreseeable future, we expect cash flow from operations will continue to be our principal source of liquidity and we may use a portion of the proceeds from the initial public offering of the Company ("**IPO**") and our other fundraising activities conducted to finance some of our capital expenditures.

As at 31 December 2023, the Group's borrowings were RMB45.0 million (31 December 2022: RMB76.2 million). Except as disclosed herein and apart from intra-group liabilities, we did not have any outstanding loan capital, bank overdrafts and liabilities, or other similar indebtedness, debentures, mortgages, charges or loans as at 31 December 2023.

Pledging of assets

As at 31 December 2023, the Group had pledged property, plant and equipment with carrying amounts of approximately RMB25.5 million (31 December 2022: property, plant and equipment of RMB26.8 million and investment property of RMB193.3 million) and investment property with carrying amounts of nil (31 December 2022: RMB193.3 million) to secure the balance of borrowings of approximately RMB12.0 million as at 31 December 2023.

Contingent liabilities

As at 31 December 2023, the Group had no material contingent liabilities which have not been properly accrued for. The Group is involved in certain legal claims that have arisen during our usual and ordinary course of business. Having considered relevant legal advice and made best estimation in respect of the liability, the Group does not expect that such legal claims will incur any material adverse effect on our business, financial condition or operating results.

Significant Investments Held

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

Material acquisitions and disposal of subsidiaries, associates and joint ventures

The Group did not have any material acquisition and disposal of subsidiaries, associates or joint ventures during the year ended 31 December 2023.

Interest rate risk

As the Group has no significant interest-bearing assets and liabilities other than bank deposits and borrowings, the Group's exposure to the interest rate risk is limited to the market risk for changes in interest rates which relates primarily to bank balances and borrowings that bear floating interest rates. Our management monitors the interest rate risk and takes prudent measures to reduce the interest rate risk.

Foreign exchange risk

The principal activities of the Group are conducted in China, and a majority of the Group's income and expenses were denominated in Renminbi. Certain bank balances were denominated in Hong Kong dollars and US dollars. Currently, the Group has not entered into contracts to hedge its exposure to foreign exchange risk, but the management will continue to monitor the foreign exchange exposure, and take prudent measures to reduce the foreign exchange risk.

Employment and remuneration policy

The Group adopts remuneration policies similar to its peers in the industry. The remuneration payable to our staff is fixed by reference to the duties and the prevailing market rates in the region. Discretionary performance bonus after assessments is paid to employees to reward their contributions. In compliance with the applicable statutory requirements in the PRC and existing requirements of the local government, the Group has participated in different social welfare plans for our employees.

As at 31 December 2023, the Group had 24,605 employees (31 December 2022: 26,685 employees).

Use of proceed raised from IPO

On 17 December 2018, the Shares were successfully listed on the Stock Exchange. Our IPO was well received by investors in both the international offering and the Hong Kong public offering. The Company raised net proceeds of (i) approximately HK$619.8 million from the IPO, and (ii) approximately HK$63.2 million from partial exercise of an over-allotment option on 4 January 2019 (collectively, the "**Net Proceeds**").

As stated in the prospectus of the Company dated 4 December 2018, we intended to use (i) approximately 55%, or approximately HK$375.6 million for strategic acquisition and investment opportunities; (ii) approximately 26%, or approximately HK$177.6 million for building up a smart community and using the most updated internet and information technologies which would improve service quality for our customers; (iii) approximately 9%, or approximately HK$61.5 million for the development of a one-stop service community platform and our "Joy Life" online service platform; and (iv) approximately 10%, or approximately HK$68.3 million as for our general corporate purposes and working capital.

Further, as stated in the announcement of the Company dated 18 June 2019, the Board resolved to change the proposed use of the Net Proceeds. The unutilised Net Proceeds originally allocated for (i) acquiring property management services providers that provide community products and services complementary to our own, and (ii) for investing in property management industry funds jointly with business parties will be used for acquiring or investment in quality property management service providers that operate on a regional scale. For further details of the change in the proposed use of the Net Proceeds, please refer to the announcement of the Company dated 18 June 2019.

As at 31 December 2023, our planned use and actual use of the Net Proceeds was as follows:

	Net Proceeds						
	Percentage of Net Proceeds	Allocation of Net Proceeds *(HK$ million)*	Unutilised (as at 1 January 2023) *(HK$ million)*	Utilised during 2023 *(HK$ million)*	Utilised (up to 31 December 2023) *(HK$ million)*	Unutilised (as at 31 December 2023) *(HK$ million)*	Expected timeline for the unutilised Net Proceeds
To pursue strategic acquisition and investment opportunities	55%	375.6	—	—	375.6	—	N/A
To leverage the most updated internet and information technologies and build a smart community	26%	177.6	39.8	39.8	177.6	—	N/A
To develop a one-stop service community platform and our "Joy Life" (悦生活) online service platform	9%	61.5	51.7	0.4	10.2	51.3	By 31 December 2025
For general corporate purposes and working capital	10%	68.3	—	—	68.3	—	N/A
	100%	683.0	91.5	40.2	631.7	51.3	

The remaining Net Proceeds which had not been utilized were deposited with licensed financial institution in Hong Kong and mainland China. The Company will continue to evaluate and adopt a prudent and flexible approach for utilising the net proceeds effectively and efficiently for the long-term benefit and development of the Group. The expected timeline for the unutilised Net Proceeds is based on the Directors' best estimation barring unforeseen circumstances, and would be subject to change based on the future development of the Group's business and the market conditions.

2020 Placing and 2020 Subscription

On 4 June 2020, the Company, Elite Force Development Limited and three placing agents entered into a placing and subscription agreement (the "**2020 Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development Limited on a several basis to procure purchasers, on a best effort basis, to purchase a total of 134,000,000 existing Shares at the placing price of HK$11.78 per Share (the "**2020 Placing Price**") (the "**2020 Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 134,000,000 new Shares at the subscription price of HK$11.78 per Share (being the same as the 2020 Placing Price) (the "**2020 Subscription**").

The 2020 Placing Price of HK$11.78 per Share and represented (i) a discount of approximately 6.95% to the closing price of HK$12.66 per Share as quoted on the Stock Exchange on 3 June 2020, being the last trading day prior to the signing of the 2020 Placing and Subscription Agreement (the "**2020 Last Trading Day**"); (ii) a discount of approximately 3.63% to the average closing price of HK$12.22 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2020 Last Trading Day; and (iii) a discount of approximately 0.61% to the average closing price of HK$11.85 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2020 Last Trading Day.

Completion of the 2020 Placing and the 2020 Subscription took place on 8 June 2020 and 16 June 2020, respectively. A total of 134,000,000 existing Shares have been successfully placed at the 2020 Placing Price of HK$11.78 per Share to no less than six (6) independent placees, and a total of 134,000,000 new Shares (equal to the number of the existing Shares successfully placed under the 2020 Placing) were subscribed by Elite Force Development Limited at the subscription price of HK$11.78 per Share.

The Company received net proceeds from the 2020 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK$1,564,476,000 and intended to use the net proceeds from the 2020 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2020 Subscription was as follows:

	Net proceeds from the 2020 Subscription						
	Percentage of net proceeds	**Allocation of net proceeds** *(HK$ million)*	**Unutilised (as at 1 January 2023)** *(HK$ million)*	**Utilised during 2023** *(HK$ million)*	**Utilised (up to 31 December 2023)** *(HK$ million)*	**Unutilised (as at 31 December 2023)** *(HK$ million)*	**Expected timeline for the unutilised net proceeds**
Strategic acquisition and investment opportunities	80%	1,251.6	—	—	1,251.6	—	N/A
Information technology related development	5%	78.2	78.2	17.4	17.4	60.8	By 31 December 2025
Working capital and general corporate purposes	15%	234.7	—	—	234.7	—	N/A
	100%	1,564.5	78.2	17.4	1,503.7	60.8	

2021 Placing and 2021 Subscription

On 23 October 2021, the Company, Elite Force Development Limited and two placing agents entered into a placing and subscription agreement (the "**2021 Placing and Subscription Agreement**"), pursuant to which, (a) Elite Force Development Limited has agreed to appoint these placing agents, and these placing agents have agreed to act as agents of Elite Force Development Limited on a several (but not joint nor joint and several) basis to procure purchasers, on a best effort basis, to purchase a total of 83,520,000 existing Shares at the placing price of HK$15.76 per share (the "**2021 Placing Price**") (the "**2021 Placing**"); and (b) Elite Force Development Limited has conditionally agreed to subscribe for, and the Company has conditionally agreed to allot and issue to Elite Force Development Limited, a total of 83,520,000 new Shares at the subscription price of HK$15.76 per share (being the same as the 2021 Placing Price) (the "**2021 Subscription**").

The 2021 Placing Price was HK$15.76 per Share and represented (i) a discount of approximately 8.80% to the closing price of HK$17.28 per Share as quoted on the Stock Exchange on 22 October 2021, being the last trading day prior to the signing of the 2021 Placing and Subscription Agreement (the "**2021 Last Trading Day**"); (ii) a discount of approximately 4.67% to the average closing price of HK$16.53 per Share as quoted on the Stock Exchange for the last five (5) consecutive trading days prior to and including the 2021 Last Trading Day; and (iii) a discount of approximately 2.60% to the average closing price of HK$16.18 per Share as quoted on the Stock Exchange for the last ten (10) consecutive trading days prior to and including the 2021 Last Trading Day.

Completion of the 2021 Placing and the 2021 Subscription took place on 27 October 2021 and 1 November 2021, respectively. A total of 83,520,000 existing Shares have been successfully placed at the 2021 Placing Price of HK$15.76 per Share to no less than six (6) independent placees, and a total of 83,520,000 new Shares (equal to the number of the existing Shares successfully placed under the 2021 Placing) were subscribed by Elite Force Development Limited at the subscription price of HK$15.76 per Share.

The Company received net proceeds from the 2021 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK$1,304,000,000 and intended to use the net proceeds from the 2021 Subscription for possible business development or investments in the future when opportunities arise and as working capital and general corporate purposes. Details of the planned use and actual use of net proceeds from the 2021 Subscription was as follows:

	Net proceeds from the 2021 Subscription						
	Percentage of net proceeds	Allocation of net proceeds *(HK$ million)*	Unutilised (as at 1 January 2023) *(HK$ million)*	Utilised during 2023 *(HK$ million)*	Utilised (up to 31 December 2023) *(HK$ million)*	Unutilised (as at 31 December 2023) *(HK$ million)*	Expected timeline for the unutilised net proceeds
Strategic acquisition and investment opportunities	65%	847.6	796.5	—	51.1	796.5	By 31 December 2025
Working capital and general corporate purposes	35%	456.4	—	—	456.4	—	N/A
	100%	1,304.0	796.5	—	507.5	796.5	

FINAL DIVIDEND

The Board recommended the payment of a final dividend of HK$0.0914 per Share for the year ended 31 December 2023. The final dividend is subject to the approval of the shareholders of the Company (the "**Shareholder(s)**") at the forthcoming annual general meeting of the Company to be convened and held on 6 June 2024 (the "**AGM**") and, subject to the approval by the Shareholders at the AGM, is expected to be paid on 24 June 2024 to the Shareholders whose names appear on the register of members of the Company after the close of business on 17 June 2024.

Subject to the approval by the Shareholders of the proposed final dividend for the year ended 31 December 2023, the total dividend for the full year of 2023 will achieve approximately 50% of the profit attributable to owners of the Company for the year ended 31 December 2023. The Company will endeavor to maintain a dividend payout ratio of no less than 50% in the next three years.

COMPLIANCE WITH CORPORATE GOVERNANCE CODE

During the year ended 31 December 2023, the Company has applied the principles of good corporate governance and complied with the code provisions as set out in the Corporate Governance Code as contained in Part 2 of Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") in force during the year ended 31 December 2023 (i.e the new Appendix C1 to the Listing Rules with effect from 31 December 2023).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules in force during the year ended 31 December 2023 (i.e. the new Appendix C3 to the Listing Rules with effect from 31 December 2023) (the "**Model Code**") as its code of conduct regarding Directors' securities transactions. Specific enquiries have been made to all the Directors and the Directors have confirmed that they have complied with the Model Code during the year ended 31 December 2023.

AUDIT COMMITTEE

The Audit Committee consists of three independent non-executive Directors, namely Mr. Ma Yongyi, Mr. Yu Tiecheng and Mr. Cheung Wai Chung. Mr. Cheung Wai Chung, who holds the appropriate professional qualifications as required under Rule 3.10(2) and Rule 3.21 of the Listing Rules, serves as the chairman of the Audit Committee. The Audit Committee has reviewed the final results of the Group for the year ended 31 December 2023 as well as the audit report prepared by the external auditor relating to accounting issues and major findings in the course of audit.

SCOPE OF WORK OF PRISM HONG KONG AND SHANGHAI LIMITED

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in this announcement have been agreed by the Group's auditors, Prism Hong Kong and Shanghai Limited, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2023. The work performed by Prism Hong Kong and Shanghai Limited in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Prism Hong Kong and Shanghai Limited on this announcement.

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

Pursuant to an ordinary resolution passed by the Shareholders at the annual general meeting of the Company convened and held on 20 November 2023, the Directors were granted a general mandate to exercise the power of the Company to buy back up to 174,922,000 Shares, representing 10% of the total number of Shares in issue as at 20 November 2023 (the "**2023 Buy-back Mandate**"). During the year ended 31 December 2023, pursuant to the 2023 Buy-back Mandate, the Company bought back an aggregate of 5,342,000 of its Shares on the Stock Exchange at a total consideration of approximately HK$6,745,190, exclusive of commissions and other expenses.

Details of the Share buy-backs during the year ended 31 December 2023 were as follows:

Date of buy-back	Number of Shares bought back	Consideration per Share Highest price paid	Lowest price paid	Total consideration paid for the buy-back
		HK$	*HK$*	*HK$*
22 November 2023	300,000	1.21	1.21	363,000
23 November 2023	2,000	1.27	1.27	2,540
24 November 2023	300,000	1.38	1.38	414,000
27 November 2023	300,000	1.33	1.33	399,000
28 November 2023	300,000	1.32	1.31	395,140
29 November 2023	300,000	1.28	1.28	384,000
30 November 2023	300,000	1.23	1.23	369,000
1 December 2023	300,000	1.24	1.24	372,000
4 December 2023	300,000	1.21	1.21	363,000
5 December 2023	300,000	1.21	1.21	363,000
6 December 2023	300,000	1.22	1.21	365,740
12 December 2023	240,000	1.23	1.17	283,400
13 December 2023	300,000	1.21	1.21	363,000
14 December 2023	300,000	1.24	1.24	372,000
19 December 2023	300,000	1.26	1.26	378,000
20 December 2023	300,000	1.27	1.26	379,700
21 December 2023	300,000	1.32	1.32	396,000
22 December 2023	300,000	1.28	1.27	383,670
27 December 2023	300,000	1.33	1.33	399,000
Total	**5,342,000**			**6,745,190**

The Shares bought back by the Company during the year ended 31 December 2023 were not cancelled as at 31 December 2023.

The Board believed that the Shares was trading at a price level which does not fully reflect the underlying value of the Company. As such, depending on the market conditions and the Company's actual needs at the relevant time, the Board made such repurchases. The Board also believed that the repurchase of Shares would demonstrate the Company's confidence in its long-term business prospects, which would in turn benefit the Company and will also be in the interest of the Company and the Shareholders as a whole.

Save as disclosed above, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the listed securities of the Company during the year ended 31 December 2023.

EVENT AFTER THE REPORTING PERIOD

No event has taken place subsequent to 31 December 2023 and up to the date of this announcement that may have a material impact on the Group's operating and financial performance that needs to be disclosed.

ANNUAL GENERAL MEETING

The AGM will be convened and held on 6 June 2024, the notice of which will be published and despatched to the Shareholders as soon as practicable in accordance with the articles of association of the Company and the Listing Rules.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed during the following periods:

(i) from 3 June 2024 to 6 June 2024, both days inclusive and during which period no transfer of the Shares will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the AGM. In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 31 May 2024; and

(ii) from 13 June 2024 to 17 June 2024, both days inclusive and during which period no transfer of the Shares will be effected, for the purpose of ascertaining Shareholders' entitlement to the proposed final dividend. In order to establish entitlements to the proposed final dividend, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not later than 4:30 pm on 12 June 2024.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

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 published on the Stock Exchange's website at www.hkexnews.hk and the Company's website at www.cifies.com in due course. This announcement can also be accessed on these websites.

(2) CHANGE IN USE OF PROCEEDS FROM THE 2021 SUBSCRIPTION

References are made to the announcements of the Company dated 24 October 2021 and 1 November 2021, respectively, in relation to the 2021 Placing and 2021 Subscription. The Company received net proceeds from the 2021 Subscription (after deducting all relevant fees, costs and expenses to be borne or incurred by the Company) of approximately HK$1,304,000,000 and intended to use 65% of the net proceeds from the 2021 Subscription for strategic acquisition and investment opportunities and 35% as working capital and general corporate purposes.

On 27 March 2024, for reasons further set out below, the Board has resolved to change the use of the net proceeds from the 2021 Subscription such that the entire amount of the unutilized net proceeds of approximately HK$796.5 million under "strategic acquisition and investment opportunities" will be re-allocated for "working capital and general corporate purposes".

An analysis of the original and revised use of the net proceeds from the 2021 Subscription is summarised as follows:

	Percentage of net proceeds	Allocation of net proceeds *HK$ million*	Utilised net proceeds as at the date of this announcement *HK$ million*	Unutilised net proceeds as at the date of this announcement *HK$ million*	Unutilised net proceeds after the revised allocation *HK$ million*	Expected timeline for the unutilised net proceeds
Strategic acquisition and investment opportunities	65%	847.6	51.1	796.5	—	N/A
Working capital and general corporate purposes	35%	456.4	456.4	—	796.5	By 31 December 2026
Total	100%	1,304.0	507.5	796.5	796.5	

The Company originally planned to use 65% of the net proceeds from the 2021 Subscription of approximately HK$847.6 million in "Strategic acquisition and investment opportunities". As at 31 December 2022, approximately HK$51.1 million has been used to acquire Beijing Hangteng.

During the year ended 31 December 2023, 15 potential acquisition targets were identified by the investment department of the Company, on which the investment development conducted preliminary due diligence works such as conducting site visits and interviews with their senior management and obtaining basic corporate and financial information to ensure that such targets meet the acquisition criterion set by the Group and in accordance with its internal policies in relation to potential acquisition and investment opportunities. However, none of such potential acquisition materialised as the Group was unable to reach consensus on major commercial terms with the counterparties, in particular, valuations of the potential target companies. The price to earnings ratio ("**P/E Ratio**") adopted in the valuations provided by the vendors of all of the potential target companies were higher than the targeted P/E Ratio set by the Group for potential acquisitions. As a result, the Group was unable to utilise any of the net proceeds from the 2021 Subscription for strategic acquisition and investment opportunities during the year ended 31 December 2023.

Since the fourth quarter of 2023, the Company became aware that such difference in targeted P/E Ratio between the potential vendors and the Group may not be changed in the near future and the number of acquisition targets which may be suitable for acquisition by the Group will continue to decrease. At the same time, considering the downturn in the real estate industry in the PRC and the shift in expansion strategy in the property management industry from expansion through merger and acquisitions to expansion through organic growth, which has lower risks, the Board considers that it would be in the interests of the Company and the Shareholders as a whole to re-allocate the entire amount of the unutilised net proceeds of approximately HK$796.5 million under "strategic acquisition and investment opportunities" for "working capital and general corporate purposes", whereby the Company could better deploy its resources to improve the quality of services, enhance customers experiences and maintain its competitiveness, thereby creating long term value to the Shareholders.

(3) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

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

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

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

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

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

A circular containing, among other things, full version of the Proposed Amendments together with the notice of the AGM will be published on the websites of the Company (www.cifies.com) and the Stock Exchange (www.hkexnews.hk) and despatched to the Shareholders in due course.

APPRECIATION

On behalf of the Board, I would like to extend our sincere thanks to our customers, suppliers and Shareholders for their continuous support to the Group. I would also extend my gratitude and appreciation to all management and staff for their hard work and dedication throughout the year.

By order of the Board
CIFI Ever Sunshine Services Group Limited
LIN Zhong
Chairman

Hong Kong, 27 March 2024

As at the date of this announcement, the executive Directors are Mr. LIN Zhong, Mr. ZHOU Hongbin and Mr. ZHOU Di; the non-executive Director is Ms. CUI Xiaoqing; and the independent non-executive Directors are Mr. MA Yongyi, Mr. YU Tiecheng and Mr. CHEUNG Wai Chung.

* *For identification purpose only*