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奧園健康生活集團有限公司
AOYUAN HEALTHY LIFE GROUP COMPANY LIMITED
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 3662)

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

2022 RESULTS HIGHLIGHTS

- For the Year, the Group's total revenue was approximately RMB1,629.8 million, representing a decrease of approximately RMB311.9 million or approximately 16.1% as compared to that of approximately RMB1,941.7 million for the Previous Year. For the Year, revenue generated from property management services and commercial operational services contributed approximately 88.6% and 11.4% to the total revenue, respectively.
- The revenue generated from property management services segment was approximately RMB1,444.4 million, representing a decrease of approximately 13.0% as compared with the Previous Year. The gross profit of the segment was approximately RMB339.1 million and the gross profit margin was approximately 23.5%. The chargeable GFA under management decreased by approximately 1.7 million sq.m. to a total of 47.1 million sq.m..
- The revenue generated from commercial operational services segment was approximately RMB185.4 million, representing a decrease of approximately 34.2% as compared with the Previous Year. The gross profit of the segment was approximately RMB58.1 million and the gross profit margin was approximately 31.4%. The Group provided commercial operational and management services to one additional shopping mall which was newly opened in 2022 and has a contracted GFA under management of approximately 30,500 sq.m..

- The gross profit of the Group was approximately RMB397.2 million, representing a decrease of approximately 15.4% as compared to that of the Previous Year, and the gross profit margin was approximately 24.4%.
- The Group achieved net profit of approximately RMB163.2 million, representing an increase of 182.7% as compared to that of the Previous Year and net profit margin was approximately 10.0%.
- As at 31 December 2022, the net assets of the Group was approximately RMB992.4 million and the return on equity (ROE) was approximately 18.2%.
- The Board does not recommend the payment of final dividend for the year ended 31 December 2022.

The board (the “**Board**”) of directors (the “**Director(s)**”) of Aoyuan Healthy Life Group Company Limited (the “**Company**”) announces the consolidated results of the Company and its subsidiaries (collectively the “**Group**”, “**we**”, “**our**” or “**us**”) for the year ended 31 December 2022 (the “**Year**” or “**2022**”), as follows:

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Year ended 31 December	
	<i>NOTES</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	1,629,751	1,941,747
Cost of services rendered		(1,232,536)	(1,472,172)
Gross profit		397,215	469,575
Other income, gains and losses	4	81,891	30,646
Impairment losses under expected credit loss model (“ ECL ”), net of reversal		(89,170)	(290,260)
Impairment losses on goodwill		–	(131,759)
Administrative expenses		(173,745)	(188,816)
Selling and distribution expenses		(1,296)	(5,757)
Change in fair value of investment properties		(17)	40
Share of results of joint ventures		–	(184)
Share of results of associates		–	(25,934)
Finance costs		(15,280)	(31,837)
Profit/(loss) before tax		199,598	(174,286)
Income tax expense	5	(36,434)	(23,000)
Profit/(loss) for the year	6	163,164	(197,286)

		Year ended 31 December	
	<i>NOTES</i>	2022	2021
		RMB'000	RMB'000
Other comprehensive income/(expense)			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations		10,100	(2,951)
Item that will not be reclassified subsequently to profit or loss:			
Fair value gain on equity instrument at fair value through other comprehensive income (“FVTOCI”)		21,061	10,867
		<u>31,161</u>	<u>7,916</u>
Other comprehensive income for the year, net of income tax			
		<u>31,161</u>	<u>7,916</u>
Total comprehensive income/(expense) for the year		<u>194,325</u>	<u>(189,370)</u>
Profit/(loss) for the year attributable to:			
– Owners of the Company		160,407	(190,940)
– Non-controlling interests		2,757	(6,346)
		<u>163,164</u>	<u>(197,286)</u>
Total comprehensive income/(expense) attributable to:			
– Owners of the Company		182,220	(185,398)
– Non-controlling interests		12,105	(3,972)
		<u>194,325</u>	<u>(189,370)</u>
Earnings/(loss) per share (<i>RMB cents</i>)			
– Basic	7	<u>22.09</u>	<u>(26.29)</u>
– Diluted	7	<u>22.09</u>	<u>(26.29)</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	NOTES	As at 31 December	
		2022	2021
		RMB'000	RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		29,438	37,060
Right-of-use assets		16,599	23,575
Investment properties		9,051	9,068
Intangible assets		78,858	91,932
Goodwill		151,118	151,118
Equity instrument at fair value through profit or loss (“FVTPL”)		65,108	70,523
Equity instrument at FVTOCI		137,321	106,160
Deferred tax assets		61,059	52,224
Deposits paid for acquisition of property, plant and equipment		2,524	2,524
Trade and other receivables	9	2,900	2,900
		<u>553,976</u>	<u>547,084</u>
CURRENT ASSETS			
Inventories		9,208	3,482
Trade and other receivables	9	691,822	491,033
Deferred contract costs		8,149	3,195
Amounts due from non-controlling shareholders of subsidiaries		167	3,495
Amounts due from fellow subsidiaries		54,912	14,415
Amounts due from related parties		5,460	8,262
Restricted bank deposits		71,152	13,058
Bank balances and cash		826,180	1,209,222
		<u>1,667,050</u>	<u>1,746,162</u>

		As at 31 December	
	<i>NOTES</i>	2022	2021
		<i>RMB'000</i>	<i>RMB'000</i>
CURRENT LIABILITIES			
Trade and other payables	10	772,821	729,863
Contract liabilities		225,601	271,884
Amounts due to non-controlling shareholders of subsidiaries		7,060	10,445
Tax liabilities		43,199	47,383
Lease liabilities		3,318	4,101
Bank borrowings		138,988	386,564
		<u>1,190,987</u>	<u>1,450,240</u>
NET CURRENT ASSETS		<u>476,063</u>	<u>295,922</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>1,030,039</u>	<u>843,006</u>
NON-CURRENT LIABILITIES			
Deferred tax liabilities		21,699	24,989
Lease liabilities		15,982	21,924
		<u>37,681</u>	<u>46,913</u>
NET ASSETS		<u>992,358</u>	<u>796,093</u>
CAPITAL AND RESERVES			
Share capital		6,207	6,207
Reserves		925,268	741,108
		<u>931,475</u>	<u>747,315</u>
Equity attributable to owners of the Company		931,475	747,315
Non-controlling interests		60,883	48,778
		<u>60,883</u>	<u>48,778</u>
TOTAL EQUITY		<u>992,358</u>	<u>796,093</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The Company was incorporated and registered as an exempted company with limited liability in the Cayman Islands under the Cayman Islands Companies Law Chapter 22 (Law 3 of 1961, as consolidated and revised) on 13 December 2016. The Company's shares are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 18 March 2019.

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

2. APPLICATION OF NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (THE "**IFRSs**")

In the current year, the Company and its subsidiaries (collectively the "**Group**") have applied the following amendments to IFRSs issued by the International Accounting Standards Board, which are mandatorily effective for the annual period beginning on or after 1 January 2022 for the preparation of the consolidated financial statements.

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS Standards	Annual Improvements to IFRSs Standards 2018–2020

The application of the amendments to IFRSs in the current year had no material impact on the Group's financial position and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

The Group has not applied the new and revised IFRSs that have been issued but are not yet effective. The Group has already commenced an assessment of the impact of these new and revised IFRSs but is not yet in a position to state whether these new and revised IFRSs would have a material impact on its results of operations and financial position.

3. REVENUE AND SEGMENT INFORMATION

Disaggregation of revenue

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Type of services		
Property management services segment		
Property management services	1,099,208	1,090,086
Sales assistance services	80,692	182,688
Community value-added services	186,314	310,029
Heating service	44,117	50,606
Others	34,108	26,803
	1,444,439	1,660,212
Commercial operational services segment		
Commercial operation and management services	172,956	232,421
Market positioning and business tenant sourcing services	12,356	49,114
	185,312	281,535
Total	1,629,751	1,941,747
Type of customers		
Property management services segment		
External customers	1,333,084	1,251,618
Fellow subsidiaries	96,492	335,571
An associate	6,197	360
Other related parties	8,666	72,663
	1,444,439	1,660,212

	Year ended 31 December	
	2022	2021
	RMB'000	RMB'000
Commercial operational services segment		
External customers	154,305	195,026
Fellow subsidiaries	31,002	77,945
An associate	–	8,292
Other related parties	5	272
	<u>185,312</u>	<u>281,535</u>
 Total	 <u>1,629,751</u>	 <u>1,941,747</u>
 Timing of revenue recognition		
Over time	1,572,069	1,864,667
A point in time	57,682	77,080
	<u>1,629,751</u>	<u>1,941,747</u>

The Group's operating segments are determined based on information reported to Chief Executive Officer, being the chief operating decision maker ("CODM") of the Group for the purposes of resource allocation and assessment of segment performance, focused on types of services provided. During the Year, the Group reorganised its internal reporting structure by reducing two operating segments, namely the intelligent engineering services segment and the general health and wellness services segment, and merging them into the property management service segment, since the services provided by these two segments are together with the provision of property management services and the revenue generated by these two segments were insignificant in the current year.

The Group's operating and reportable segments are as follows:

a. Property management services

The Group engaged in the provision of property management services, sales assistance services, community value-added services, engineering installation services and heating services for both residential and non-residential units to property developers, property owners and residents.

b. Commercial operational services

The Group engaged in the provision of commercial operation and management services and market positioning and business tenant sourcing services to commercial property developers and commercial property lessees.

No analysis of segment assets and segment liabilities is presented as such information are not regularly provided to the CODM for review.

The following is an analysis of the Group's revenue and results by operating and reportable segment:

	Property management services RMB'000	Commercial operational services RMB'000	Total RMB'000
Year ended 31 December 2022			
Segment revenue	<u><u>1,444,439</u></u>	<u><u>185,312</u></u>	<u><u>1,629,751</u></u>
Segment results	<u><u>169,113</u></u>	<u><u>25,562</u></u>	194,675
Net exchange gain			45,390
Change in fair value of investment properties			(17)
Change in fair value of equity instrument at FVTPL			(5,415)
Gain on disposal of subsidiaries			258
Central administrative costs			(20,013)
Interest on lease liabilities			(1,876)
Interest on bank borrowings			<u>(13,404)</u>
Profit before tax			<u><u>199,598</u></u>

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2021			
Segment revenue	1,660,212	281,535	1,941,747
Segment results	(102,001)	2,404	(99,597)
Net exchange gain			3,515
Change in fair value of investment properties			40
Change in fair value of equity instrument at FVTPL			1,970
Loss on disposal of subsidiaries			(6,363)
Gain on disposal of joint ventures			898
Gain on disposal of associates			764
Central administrative costs			(17,558)
Share of results of joint ventures			(184)
Share of results of associates			(25,934)
Interest on lease liabilities			(2,283)
Interest on bonds and bank borrowings			(29,554)
Loss before tax			(174,286)

Other segment information

	Property management services <i>RMB'000</i>	Commercial operational services <i>RMB'000</i>	Unallocated <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2022				
Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	7,572	1,065	2,188	10,825
Amortisation of intangible assets	13,074	–	–	13,074
Depreciation of right-of-use assets	2,529	684	3,280	6,493
Impairment losses under expected credit loss model recognised in profit or loss, net of reversal	76,206	12,964	–	89,170
Reversal of impairment losses on deferred contract costs	–	(3,266)	–	(3,266)
Gain on disposal of property, plant and equipment	(110)	–	–	(110)

Year ended 31 December 2021

Segment information included in the measure of segment results:				
Depreciation of property, plant and equipment	8,136	1,247	4,797	14,180
Amortisation of intangible assets	13,273	–	–	13,273
Depreciation of right-of-use assets	1,772	890	3,373	6,035
Amortisation of deferred contract costs	–	10,389	–	10,389
Impairment losses under expected credit loss model recognised in profit or loss, net of reversal	223,838	66,422	–	290,260
Impairment losses on goodwill	131,759	–	–	131,759
Impairment losses on deferred contract costs	–	10,197	–	10,197
Loss on disposal of property, plant and equipment	197	–	–	197

Geographical information

The Group's revenue from customers is derived solely from its operations and services rendered in the People's Republic of China (the "PRC"), and over 99% of the non-current assets of the Group are located in the PRC.

Information about major customers

Revenue from customers for the corresponding years contributing over 10% of the total revenue of the Group is as follows:

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Fellow subsidiaries (<i>Note</i>)	<u>127,494</u>	<u>413,516</u>

Note: The revenue was derived from property management services and commercial operational services segments. The fellow subsidiaries are the subsidiaries of China Aoyuan Group Limited ("China Aoyuan", the controlling shareholder of the Company, the shares of which are listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (stock code: 3883), together with its subsidiaries (excluding the Group)("China Aoyuan Group").

4. OTHER INCOME, GAINS AND LOSSES

	Year ended 31 December	
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Bank interest income	4,513	6,344
Net exchange gain	45,390	3,515
Government grants	28,329	22,462
Gain/(loss) on disposal of property, plant and equipment	110	(197)
Reversal of impairment losses/(impairment losses) on deferred contract costs	3,266	(10,197)
Dividend income	2,704	6,635
Gain/(loss) on disposal of subsidiaries	258	(6,363)
Gain on disposal of associates	–	764
Gain on disposal of joint ventures	–	898
Change in fair value of equity instrument at FVTPL	(5,415)	1,970
Gain on early termination of leases	385	–
Others	<u>2,351</u>	<u>4,815</u>
	<u>81,891</u>	<u>30,646</u>

5. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Current tax		
PRC Enterprise Income Tax (“EIT”)	48,559	67,485
Deferred tax	(12,125)	(44,485)
	36,434	23,000

No provision for Hong Kong profits tax has been made as the Group did not have any assessable income subject to Hong Kong profits tax for both years.

Under the Law of the PRC on EIT (the “EIT Law”) and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

According to the provisions of Caishui 2019 No.13 and Guoshui 2019 No.2, certain subsidiaries of the Group, enjoy preferential income tax policies for the small and low profit enterprises for both years.

Aoyuan Intelligent Life Services (Guangzhou) Group Company Limited and Easy Life Smart Community Services Group Co., Ltd, subsidiaries of the Group, obtained the certificate of “National High-tech Enterprise” in 2020 and 2021, respectively, under which it is entitled to a preferential income tax rate of 15% for the three years from 1 January 2020 to 31 December 2022 and from 1 January 2021 to 31 December 2023, respectively.

6. PROFIT/(LOSS) FOR THE YEAR

	Year ended 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
Profit/(loss) for the year has been arrived at after charging/ (crediting):		
Auditors' remuneration	<u>4,100</u>	<u>4,500</u>
Directors' emoluments	3,970	8,508
Other staff's salaries and other benefits	324,743	440,964
Other staff's contributions to retirement benefit scheme	34,346	41,986
Contributions to housing provident funds	8,942	11,598
Other staffs' share-based payments	<u>1,043</u>	<u>2,223</u>
Total staff costs	<u>373,044</u>	<u>505,279</u>
Impairment losses recognised/(reversed) on:		
Trade receivables	14,936	52,907
Other receivables	742	(686)
Fellow subsidiaries	56,720	153,915
Non-controlling shareholders of subsidiaries	(67)	70
Related parties	16,826	79,798
Others	<u>13</u>	<u>4,256</u>
Total impairment losses under ECL model, net of reversal	<u>89,170</u>	<u>290,260</u>
Cost of inventories recognised as an expense	233	4,209
Depreciation of property, plant and equipment	10,825	14,180
Depreciation for right-of-use assets	6,493	6,035
Amortisation of intangible assets (included in cost of services rendered)	<u>13,074</u>	<u>13,273</u>

7. EARNINGS/(LOSS) PER SHARE

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

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Earnings/(loss):		
Earnings/(loss) for the purposes of basic and diluted earnings per share, as appropriate (profit/(loss) for the year attributable to owners of the Company)	<u>160,407</u>	<u>(190,940)</u>

	2022	2021
Number of shares:		
Weighted average number of ordinary shares for the purposes of basic and diluted earnings/(loss) per share	<u>726,250,000</u>	<u>726,250,000</u>

The calculation of diluted earnings/(loss) per share did not assume the exercises of the Company's share options outstanding during the current and prior years because the exercise prices of those share options were higher than the average market price of the Company's shares during the current and prior years, respectively.

8. DIVIDENDS

	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>
Dividends, recognised as distribution during the year:		
2021 final dividend of nil per share (2020: final dividend of RMB0.14 per share) per share	<u>–</u>	<u>101,675</u>
	<u>–</u>	<u>101,675</u>

The Board did not recommend the payment of a final dividend for the year ended 31 December 2022, nor has any dividend been proposed since the end of the year.

9. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
Trade receivables	584,426	427,262
Less: impairment losses under expected credit loss model, net of reversal	<u>(89,853)</u>	<u>(70,528)</u>
Total trade receivables	<u>494,573</u>	<u>356,734</u>
Other receivables:		
Deposits	34,529	16,695
Payments on behalf of residents	62,185	49,025
Input tax to be deducted	23,108	1,129
Prepayments	47,465	30,058
Others	39,997	46,685
Less: impairment losses under expected credit loss model, net of reversal	<u>(7,135)</u>	<u>(6,393)</u>
	<u>200,149</u>	<u>137,199</u>
Total trade and other receivables	<u>694,722</u>	<u>493,933</u>
Analysed for reporting purpose as:		
Non-current assets (included in deposits)	2,900	2,900
Current assets	<u>691,822</u>	<u>491,033</u>
	<u>694,722</u>	<u>493,933</u>

The following is an aged analysis of trade receivables presented based on the date of demand note:

	As at 31 December	
	2022	2021
	RMB'000	<i>RMB'000</i>
0 to 60 days	96,391	100,167
61 to 180 days	118,591	94,841
181 to 365 days	141,132	84,078
1 to 2 years	124,714	99,548
2 to 3 years	69,814	26,604
Over 3 years	<u>33,784</u>	<u>22,024</u>
	<u>584,426</u>	<u>427,262</u>

10. TRADE AND OTHER PAYABLES

		As at 31 December	
		2022	2021
	<i>NOTE</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade payables		<u>272,937</u>	<u>239,899</u>
Other payables:			
Receipts on behalf of residents		163,856	131,023
Deposits received	(a)	200,615	153,937
Accrued staff costs		27,855	64,676
Accrued contribution to social insurance and housing provident funds		14,835	12,750
Other tax payables		30,091	9,417
Accrued expenses		38,169	36,429
Other payables		<u>24,463</u>	<u>81,732</u>
Total other payables		<u>499,884</u>	<u>489,964</u>
Total trade and other payables		<u><u>772,821</u></u>	<u><u>729,863</u></u>

Note:

- (a) The balances mainly represented utility deposits received from the community residents and commercial tenants.

The credit period granted by suppliers to the Group ranges from 30 days to 90 days during the year. The following is an aged analysis of trade payables presented based on the invoice date at the end of each reporting period:

	As at 31 December	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
0 to 60 days	102,777	114,438
61 to 180 days	65,515	46,647
181 to 365 days	29,797	24,981
1 to 2 years	46,319	43,234
2 to 3 years	24,183	9,765
Over 3 years	<u>4,346</u>	<u>834</u>
	<u><u>272,937</u></u>	<u><u>239,899</u></u>

MANAGEMENT DISCUSSION AND ANALYSIS

I. BUSINESS REVIEW

Business Overview

The Group is a renowned property management service and commercial operational service provider in the PRC, and implements business strategy of diversifying service offerings to meet the evolving demands of customers. The Group offers diversified property management services for residential and non-residential properties, as well as a full range of commercial operational services for mid to high-end properties and mixed-use property development projects in shopping malls, so as to create a quality, healthy and livable environment, as well as an environment suitable for commercial and social activities while providing comprehensive, quality, healthy life management services.

Property Management

As at 31 December 2022, the Group provided property management services to 376 properties (including sales offices) in 78 cities across 22 provinces, municipalities, and autonomous regions in the PRC with chargeable gross floor area (“GFA”) under management of approximately 47.1 million square metres (“sq.m.”), representing a decrease of approximately 1.7 million sq.m. as compared to approximately 48.8 million sq.m. as at 31 December 2021. As at 31 December 2022, the contracted area of the Group was approximately 80.4 million sq.m.. On the basis of maintaining high-quality property management services for properties under the brand of China Aoyuan Group, the Group continued to expand projects under the brands other than those of China Aoyuan Group. In 2022, the Group signed a total of 69 property management service contracts, including 9 contracts for newly acquired projects and 60 contracts for project renewal, representing an increase of 29.86% year-on-year in terms of contract amounts. The Group controlled various costs and expenditures stringently by carrying out reform and downsizing its structure and administration. Through energy-saving transformation in communities with special funds, energy consumption expenditure and labor expenditure were significantly reduced, achieving continuous cost reduction and efficiency improvement and increasing cash flow income.

We were committed to creating a digital community life circle for our property owners, and continuously improved and increased the functions of “Aoyuejia” (奥悦家) Wechat Mini Program. In addition to the functions such as issue and repair reporting, it added functions such as online payment, community group purchase and placement of advertisements by partners, so as to further facilitate the lives and consumption of the property owners, and increase the business turnover of communities. In future, other community functions such as property owner forums and flea markets will be developed to increase customer stickiness and attract more potential customers for various business operations.

The Group treasured customer living experience and maintenance of customer relationship. In 2022, more than 2,000 community cultural activities and convenience activities were conducted during major festivals according to our property owners' needs, serving over 220,000 people. The Group actively cooperated with the government in implementing various measures for pandemic prevention and control, and safeguarded over 200 communities. During the period of pandemic lockdown, the Group carried out heart-warming actions, providing a total of 200,000 occasions of heart-warming services, such as assistance in nucleic acid testing, garbage cleaning of households under quarantine, love errands services, and assistance in online classes, and was praised by property owners and government departments. In 2022, the Group was awarded "The Pioneer Enterprise of Anti-Epidemic", "The Special Contribution Award" and "The Outstanding Contribution Award for Actively Undertaking Social Responsibility and Facilitating Employment for the Whole Society" by Guangdong Property Management Industry Institute (廣東省物業管理行業協會), with continuously improving customers' satisfaction and brand reputation.

In 2022, the Group won five new hospital projects and one government public construction project. The depth and breadth of urban services were further expanded, and the standards of management services for both residential and non-residential properties were recognised by our customers. Continuous improvement of brand reputation in the industry had significantly contributed to the business growth of the Group and brought long-term and sound returns to investors.

Commercial Operation

As at 31 December 2022, the Group contracted to provide commercial operational services to 22 shopping malls with contracted total GFA of approximately 775,000 sq.m., among which the Group contracted to provide post-opening commercial operation and management services to 21 shopping malls with contracted total GFA of approximately 748,000 sq.m.. As of 31 December 2022, the Group provided commercial operational services to 18 shopping malls in operation in 14 cities in the PRC, with contracted total GFA of approximately 643,000 sq.m..

In addition to maintaining high-quality commercial operation, we continue to deliver warmth living services to our consumers. Our existing service segments cover preliminary planning, commercial design, technical consultation, business tenant sourcing agency, preparation for business grand opening and asset operation, and other commercial property chains. In addition to basic operation, the Group constantly develops and deepens diversified services of commercial operation, enriches sources of income and consolidates intrinsic production capacity. Moreover, the Group focuses on industrial synergy to revitalize shopping mall members and offline traffic by leveraging the advantages of the Group in sharing industrial synergy resources. The business operation of the Group continues to deepen the exchange, communication and cooperation with property management services. By leveraging the advantages of self-held property industry clusters around commercial projects nationwide, property owners can be transformed into loyal customers of shopping malls to generate higher profits

with lower costs. By leveraging its internal new retail platform “Aoyue Youxuan” (奧悅優選), the Group uses low-cost marketing methods such as live streaming e-commerce and group purchase to realize precise traffic diversion through “property to business” and “online to offline”, so as to deeply operate the private traffic, the “last kilometre” of complex projects, which facilitates the Group to resist risks in the volatile market environment and ensures the achievement of performance targets at the lowest cost.

In addition to leveraging its internal industrial synergy advantages, the Group also relies on the assistance of various parties to build the innovative “internet + business” model. The Group cooperated with professional institutions in respect of its commercial operation to build a consumer platform construction project during the Year, further promoted the digital strategy, accelerated the construction of an operation management model for digital business in the new era, and shifted from large-scale operation to refined and efficient operation, which effectively reduced the Group’s operation and marketing costs, improved the operation and marketing precision, and achieved cost reduction and efficiency improvement. The Group achieved its cash flow target despite the market downturn caused by the resurgence of the pandemic.

Apart from continuously improving and optimizing basic commercial operational services, the Group adapted to different projects and consumer needs to create different types of consumption experience and immersive, gentle and joyful shopping experience according to local conditions. During the Year, the Group integrated the community park into commercial segment. In the first half of 2022, by leveraging the strong traffic attraction of parent-child groups, Yulin Aoyuan Plaza* (玉林奧園廣場) integrated the parent-child play elements and endeavoured to build an indoor venue for parent-child gathering – “Small Sun World” (小太陽天地). This move has not only increased the customer flow in Yulin Aoyuan Plaza, but also extended the stay time of parents, increased the chance of random consumption, empowered brand merchants, and helped the Group achieve revenue increase. During the Year, Pubei Aoyuan Plaza* (浦北奧園廣場) gradually upgraded “Baby Paradise” (北鼻樂園) for the need of our parent-child customers. With the personalized experience brought by “Baby Paradise” (北鼻樂園), the average daily passenger traffic of Pubei Aoyuan Plaza* (浦北奧園廣場) increased rapidly, increased by nearly 200% on a month-on-month basis, despite the resurgence of the pandemic locally. Located in Guangzhou Wanbo Central Business District, Aoyuan International Center has keenly captured the trend of “Camping” and gradually completed the transformation and upgrading of the theme of “Camp Park” (營地公園) during the Year, forming a marketing closed loop of “experience scene drainage – sales conversion”. The sales volume of participating merchants increased by 54% and sales volume of experience business increased by 244% month-on-month.

In addition to revitalizing assets, reducing costs and increasing efficiency to realize asset appreciation, the Group also took the initiative to assume various social responsibilities. Of which, in March 2022, with the requirements and support of local government for pandemic prevention and control, the commercial operation team of Ruichang Aoyuan Plaza* (瑞昌奧園廣場) under the Group gathered all its forces, strictly complied with the pandemic prevention instructions to prepare entry and exit permits for personnel assuring the supply and promptly delivered daily necessities to the residents, and took practical

actions to protect the “vegetable baskets” and “rice bags” of the residents in the business area, contributing the Group’s strength to Ruichang’s fight against the pandemic. In April 2022, the dine-in services in Panyu District, Guangzhou were suspended. Three shopping malls operated by the Group in Panyu launched preferential measures to help merchants overcoming their difficulties. In May 2022, the Group’s Yulin Aoyuan Plaza* (玉林奧園廣場) actively assisted relevant departments in Yudong New District to build a comprehensive night economy block through the cooperation between the government and enterprises, achieving growth both in daily passenger traffic and sales, and contributing to the robust development of Yulin’s night economy. In June 2022, Pubei Aoyuan Plaza* (浦北奧園廣場) took the initiative to assume social responsibility, and joined hands with merchants and caring teams such as Pubei Rongxin Social Workers (浦北縣榮心社工) to carry out charity and donation activities in Special School of Pubei County (浦北縣特殊學校), bringing care and blessings to special needs children. In August 2022, Guangzhou Panyu Aoyuan Plaza assisted the Anti-Fraud Center of Public Security Bureau of Panyu District, Guangzhou (廣州市番禺區公安分局反詐中心) in organizing a talk preaching the prevention of telecommunication and network fraud, so as to improve the ability of citizens living nearby in preventing fraud. In November 2022, Panlong Aoyuan Plaza* (盤龍奧園廣場) actively cooperated with relevant government departments to carry out activities to celebrate the 20th National Congress of the Chinese Communist Party (“CCP”) in communities of the district, implement the spirit of the 20th National Congress of CCP and promote harmonious neighborhood relationship. In the same month, Pubei Aoyuan Plaza* (浦北奧園廣場) held voluntary activities in relation to the publicity of environmental protection knowledge, publicity of safe use of gas, and caring activities for sanitation workers.

II. OUTLOOK

In 2023, the macro-situation and industry environment continue to improve. Under the new starting point, the Group will strive to forge ahead, always adhere to the original aspiration of quality, establish a normal, professional and informational management system, and endeavour to build an all-round intelligent and healthy life ecosystem, empower people to live a better life and continue to create value.

Property Management

The year of 2023 will enter the post-pandemic era with investment and consumption recovering gradually. With the State Council implementing various real estate financial support policies, it is expected that real estate investment will record new growth in 2023, which will in turn benefit the future operating results of the Group. The Group will increase its investment in digitization, improve management efficiency, accelerate its response to customers’ demand, improve residential quality in the communities, strengthen customer stickiness, build industry reputation with high-quality services, and help expand business in the market. The Group treasures the diversification of commercial operation models in the communities, focuses on the sale of exquisite merchandise, and further improves the conversion rate of customer sales by leveraging

live broadcasting platforms and offline promotion. Meanwhile, to cater for customer needs, the Group enriches the options of home service offerings, so as to improve service repurchase rate. The Group will fully revitalize space resources, develop site self-operated services, and achieve win-win results with tenants in the vicinity. The Group will strengthen market expansion, explore internal business potential, and strive to achieve a new level of operating results in 2023 by enriching the sources of revenue.

In 2023, it is expected that the diversified and multi-level demand for life services for our residents will resume quickly. The Group will adhere to the “light-asset + platform” model to build the “life service” ecosystem for property owners. The community value-added services will meet customers’ needs by providing space resource services focusing on customer needs, community commercial services of high stickiness and high quality, safe and convenient parking services, convenient and carefree home refurbishment services, high-quality home services, professional and intimate asset rental and sales services. The Group will adhere to its stable management style to create service value with high quality and high stickiness service products, so as to achieve results growth.

Commercial Operation

Due to the recent fluctuations in the commercial property market, the Group will continue to strengthen its own internal skills, steadily improve its commercial operation and tenant sourcing capabilities, in order to build up a solid base with strong network to withstand the challenges from the market and become more stable in the long run. In addition, the Group will continue to generate significant profits with lower costs. Relying on its industrial synergy advantages, the Group will carry out precise and in-depth operation, build a virtuous circle of business ecosystem, and achieve sound operation. At the same time, the Group will always change with the times, fully explore the demand potential of core consumers, seize opportunities, identify “blue ocean”, leverage first-mover advantage, stimulate potential demand that consumers are not aware of, and constantly explore market potential to create new business models of commercial operation, helping the Group to seek new growth points and enrich the sources of operating income.

FINANCIAL REVIEW

Results of Operations

The Group's revenue was mainly derived from property management services and commercial operational services. For the Year, the Group's total revenue was approximately RMB1,629.8 million, representing a decrease of approximately RMB311.9 million or approximately 16.1% as compared to that of approximately RMB1,941.7 million for the year ended 31 December 2021 (the "Previous Year" or "2021"). Revenue generated from property management services segment and commercial operational services segment contributed 88.6% and 11.4% to the total revenue, respectively.

The following table sets forth a breakdown of total revenue for the years indicated by business segment:

	2022		2021		Growth amount RMB'000	Growth rate %
	Revenue contribution RMB'000	%	Revenue contribution RMB'000	%		
Property management services segment	1,444,439	88.6	1,660,212	85.5	(215,773)	(13.0)
Commercial operational services segment	185,312	11.4	281,535	14.5	(96,223)	(34.2)
Total	<u>1,629,751</u>	<u>100.0</u>	<u>1,941,747</u>	<u>100.0</u>	<u>(311,996)</u>	<u>(16.1)</u>

Property Management Services Segment

The revenue generated from property management services segment decreased by approximately RMB215.8 million or approximately 13.0%, of which the revenue generated from property management services increased by approximately RMB9.1 million or approximately 0.8%, the revenue generated from major owner value-added services decreased by approximately RMB102.0 million or approximately 55.8%, and revenue generated from community value-added services decreased by approximately RMB122.9 million or approximately 31.7%. The decrease of revenue generated from major owner value-added services was mainly due to the decrease in pre-delivery consultation services, sales assistance services, and other services provided by the Group to major owners due to the overall impact of the real estate industry environment. The decrease of revenue generated from community value-added services was mainly due to the decrease in revenue from intelligent engineering installation services and heating services provided by the Group.

The following table sets forth the breakdown of revenue from the property management services segment by service category for the years indicated:

	2022		2021		Growth amount RMB'000	Growth rate %
	<i>RMB'000</i>	<i>Revenue contribution %</i>	<i>RMB'000</i>	<i>Revenue contribution %</i>		
Property management services segment						
Property management services	1,099,208	76.1	1,090,086	65.7	9,122	0.8
Major owner value-added services	80,692	5.6	182,688	11.0	(101,996)	(55.8)
Community value-added services	264,539	18.3	387,438	23.3	(122,899)	(31.7)
Total	<u>1,444,439</u>	<u>100.0</u>	<u>1,660,212</u>	<u>100.0</u>	<u>(215,773)</u>	<u>(13.0)</u>

The following table sets forth the breakdown of the chargeable GFA under management for the years indicated and total revenue generated from provision of property management services under the property management service segment for the years indicated by type of property developer:

	2022			2021		
	<i>Chargeable GFA ('000 sq.m.)</i>	<i>Revenue (RMB'000)</i>	<i>Revenue contribution %</i>	<i>Chargeable GFA ('000 sq.m.)</i>	<i>Revenue (RMB'000)</i>	<i>Revenue contribution %</i>
China Aoyuan Group and its related parties (<i>Note</i>)	25,625	569,649	51.8	23,253	636,583	58.4
Third-party property developers	21,519	529,559	48.2	25,535	453,503	41.6
Total	<u>47,144</u>	<u>1,099,208</u>	<u>100.0</u>	<u>48,788</u>	<u>1,090,086</u>	<u>100.0</u>

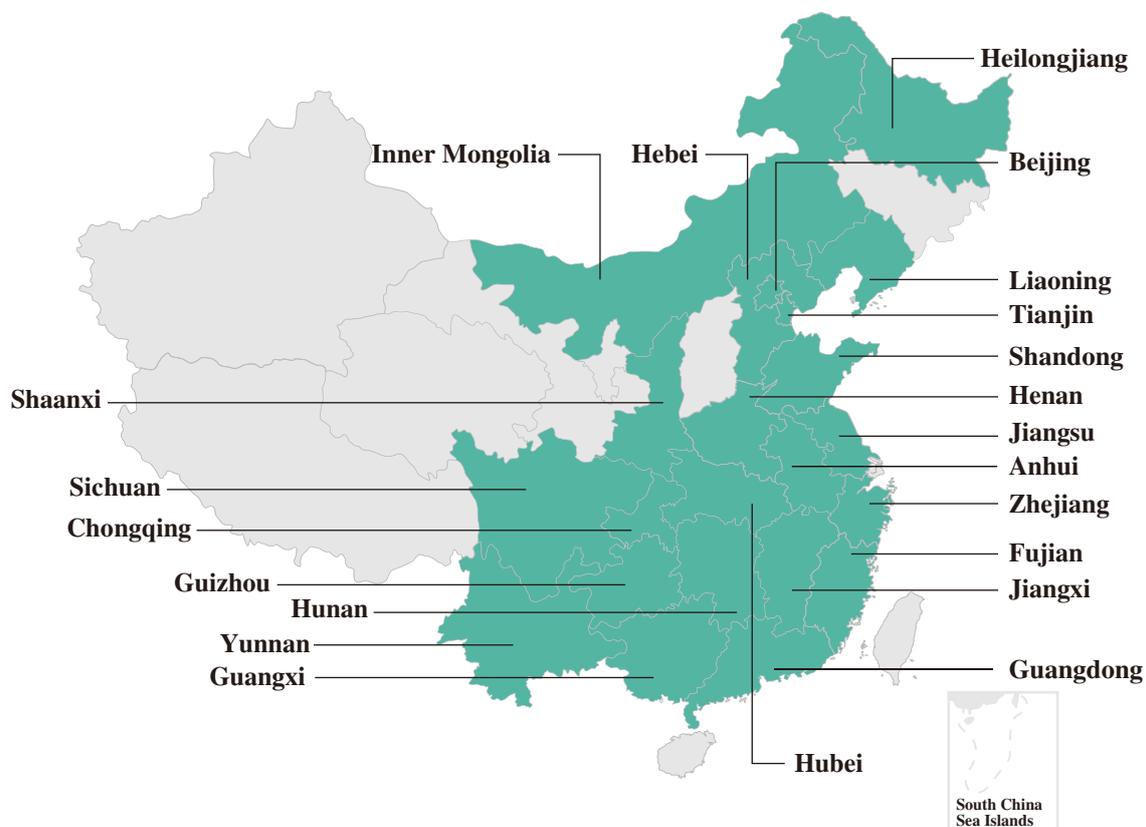
Note: Related parties of the China Aoyuan Group include the China Aoyuan Group's joint ventures and associates.

The following table sets forth a breakdown of the changes in the chargeable GFA under management for the Year by property developer type:

	Chargeable GFA under management as at 1 January 2022 ('000 sq.m.)	Increase for the period ('000 sq.m.)	Decrease for the period ('000 sq.m.)	Chargeable GFA under management as at 31 December 2022 ('000 sq.m.)
China Aoyuan Group and its related parties	23,253	2,774	402	25,625
Third party property developers	25,535	248	4,264	21,519
Total	48,788	3,022	4,666	47,144

Geographic Presence

The following map illustrates the location of the properties under the Group's management and properties it contracted to manage as at 31 December 2022:



The following table sets forth the breakdown of the chargeable GFA under management as at the dates indicated and total revenue from the property management service segment for the years indicated by geographic regions:

	2022			2021		
	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %	Chargeable GFA (<i>'000 sq.m.</i>)	Revenue (<i>RMB'000</i>)	Revenue contribution %
South China	13,778	562,781	39.0	13,105	713,021	42.9
Southwest China	4,191	148,013	10.2	5,752	162,512	9.8
East China	8,708	194,456	13.5	8,226	211,105	12.7
Central and North China	18,058	474,960	32.9	19,426	506,128	30.5
Northeast China	2,409	64,229	4.4	2,279	67,446	4.1
Total	<u>47,144</u>	<u>1,444,439</u>	<u>100.0</u>	<u>48,788</u>	<u>1,660,212</u>	<u>100.0</u>

Notes:

- (1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (2) Southwest China comprises Chongqing Municipality, Sichuan, Yunnan, Guizhou and Shaanxi Provinces.
- (3) East China comprises Anhui, Fujian, Jiangsu, Jiangxi, Shandong and Zhejiang Provinces.
- (4) Central and North China comprises Hunan, Hubei, Hebei and Henan Provinces, Inner Mongolia Autonomous Region, Beijing Municipality and Tianjin Municipality.
- (5) Northeast China comprises Liaoning Province.

Commercial Operational Services Segment

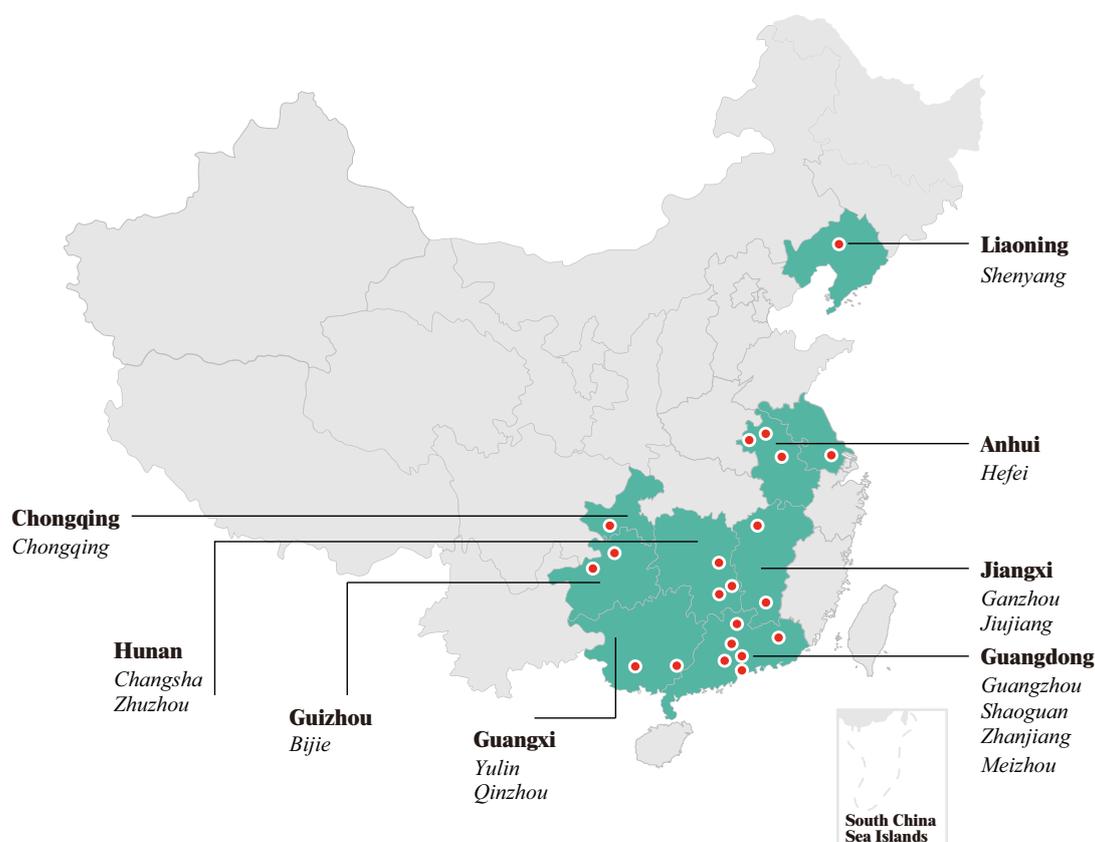
The revenue generated from commercial operational services segment decreased by approximately RMB96.2 million or approximately 34.2%, which was mainly due to the decrease in revenue generated from commercial operation and management services of approximately RMB59.5 million or approximately 25.6% and the decrease in revenue generated from market positioning and business tenant sourcing services of approximately RMB36.8 million or approximately 74.8%. The decrease in revenue generated from commercial operation and management services was mainly attributable to the decrease in the total GFA under management of commercial operational services provided by the Group to shopping malls in operation. The decrease in revenue generated from market positioning and business tenant sourcing services was mainly due to the decrease in preliminary research and business tenant sourcing services provided during the Year.

The following table sets forth the breakdown of revenue from commercial operational service segment by service category for the years indicated:

	2022		2021		Growth amount RMB'000	Growth rate %
	Revenue contribution RMB'000	%	Revenue contribution RMB'000	%		
Commercial operational service segment						
Commercial operation and management services	172,956	93.3	232,421	82.6	(59,465)	(25.6)
Market positioning and business tenant sourcing services	12,356	6.7	49,114	17.4	(36,758)	(74.8)
Total	185,312	100.0	281,535	100.0	(96,223)	(34.2)

Geographic Presence

The following map illustrates the location of the shopping malls under the Group's management and shopping malls it contracted to manage as at 31 December 2022:



The following table sets forth the breakdown of revenue from the commercial operational service segment for the years indicated by geographic regions:

	2022		2021	
	<i>RMB'000</i>	<i>Revenue contribution %</i>	<i>RMB'000</i>	<i>Revenue contribution %</i>
South China	127,173	68.6	196,656	69.8
Southwest China	38,898	21.0	47,569	16.9
East China	13,148	7.1	30,357	10.8
Central and Northeast China	6,093	3.3	6,953	2.5
Total	<u>185,312</u>	<u>100</u>	<u>281,535</u>	<u>100</u>

Notes:

- (1) South China comprises Guangdong Province and Guangxi Zhuang Autonomous Region.
- (2) Southwest China comprises Chongqing Municipality, Sichuan and Guizhou Provinces.
- (3) East China comprises Jiangxi, Jiangsu and Anhui Provinces.
- (4) Central and Northeast China comprises Hunan and Liaoning Provinces.

Cost of Services

The Group's cost of services primarily consists of (i) labour costs mainly incurred from the security services, house-keeping services, labour outsourcing, maintenance services and cleaning and gardening services expenses; (ii) maintenance costs; (iii) utility expenses; (iv) marketing and promotion expenses; and (v) materials and consumables.

Our cost of services decreased by approximately RMB239.7 million from approximately RMB1,472.2 million for the Previous Year to approximately RMB1,232.5 million for the Year. Such decrease was primarily attributable to:

- (1) decrease in labour costs from approximately RMB1,025.9 million in 2021 to approximately RMB889.3 million in 2022, which was mainly due to the decrease of engineering pre-delivery consultation services, sales assistance services for sales offices, household inspection services and intelligent engineering services provided by the Group to major owners because of the changes in the environment of real estate market, resulting in fewer employees, security staff and house-keeping services staff required and less labour outsourcing cost and cleaning and gardening services expenses incurred;
- (2) decrease in construction costs related to intelligent engineering of approximately RMB48.6 million due to the Group's focus on its principal business and adjustment of the Company's business structure.

Gross Profit and Gross Profit Margin

For the Year, the gross profit of the Group was approximately RMB397.2 million, representing a decrease of approximately RMB72.4 million or approximately 15.4% as compared to approximately RMB469.6 million for the Previous Year. For the Year, the gross profit margin was approximately 24.4%, representing an increase of approximately 0.2 percentage point as compared to the gross profit margin of 24.2% for the Previous Year. Gross profit margin was basically unchanged from the Previous Year. The Group will continue to promote refined management in the coming years, endeavouring to improve the economic efficiency. For the Year, the gross profit of property management services segment of the Group was approximately RMB339.1 million and the gross profit margin was approximately 23.5%; the gross profit of commercial operational services segment of the Group was approximately RMB58.1 million and the gross profit margin was approximately 31.4%.

Selling and Distribution Expenses and Administrative Expenses

The Group's selling and distribution expenses primarily consist of (i) advertising expenses; (ii) salaries and allowances for our sales personnel; and (iii) office expenses, travelling expenses and business development expenses. The total selling and distribution expenses of the Group for the Year were approximately RMB1.3 million.

The Group's administrative expenses and other expenses primarily consist of (i) salaries and allowances for our administrative and management personnel in the headquarters; (ii) travelling expenses; (iii) professional fees; (iv) rental expenses; and (v) office expenses.

For the Year, the administrative expenses of the Group were approximately RMB173.7 million, representing a decrease of approximately RMB15.1 million or approximately 8.0% as compared to approximately RMB188.8 million for the Previous Year. Such decrease was mainly due to the optimization of the organizational structure, improvement of management efficiency, and cost reduction and efficiency increase of the Group.

Other Income, Gains and Losses

For the Year, other income, gains and losses of the Group amounted to a net gain of approximately RMB81.9 million, representing an increase of approximately RMB51.3 million or approximately 167.6% as compared to net revenue of approximately RMB30.6 million for the Previous Year, which was primarily attributable to (i) net exchange gain increased by approximately RMB41.9 million; and (ii) government subsidy increased by approximately RMB5.9 million.

Income Tax Expense

For the Year, the income tax of the Group was approximately RMB36.4 million, representing an increase of approximately RMB13.4 million as compared to approximately RMB23.0 million for the Previous Year, which was mainly due to the Group's reversal from loss to profit.

Profit for the Year

For the Year, the net profit of the Group was approximately RMB163.2 million, representing an increase in net profit of approximately RMB360.5 million as compared to net loss of approximately RMB197.3 million for the Previous Year. For the Year, profit attributable to equity Shareholders of the Company was approximately RMB160.4 million, as compared to loss attributable to equity Shareholders of the Company of approximately RMB190.9 million for the Previous Year. The net loss recorded by the Group in 2021 was mainly due to changes in the environment of the real estate market, impairment losses on goodwill and significant expected credit impairment losses on trade and other receivables, amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries and related parties.

FINANCIAL POSITION

As at 31 December 2022, the total assets of the Group was approximately RMB2,221.0 million (as at 31 December 2021: approximately RMB2,293.2 million), and the total liabilities was approximately RMB1,228.7 million (as at 31 December 2021: approximately RMB1,497.1 million). As at 31 December 2022, the current ratio was 1.40 (as at 31 December 2021: 1.20).

As at 31 December 2022, the net assets of the Group was approximately RMB992.4 million (as at 31 December 2021: approximately RMB796.1 million).

Property, Plant and Equipment

The Group's property, plant and equipment consist of buildings, office equipment, motor vehicles and leasehold improvements. The value of the Group's property, plant and equipment decreased by approximately 20.8% to approximately RMB29.4 million as at 31 December 2022, primarily attributable to decrease in normal depreciation.

Right-of-use Assets

The right-of-use assets of the Group mainly included lease right-of-use assets. The Group's right-of-use assets decreased from approximately RMB23.6 million as at 31 December 2021 to approximately RMB16.6 million as at 31 December 2022, primarily due to decrease in normal depreciation.

Intangible Assets

The Group's intangible assets represent the property management contracts obtained upon the acquisition of other property management companies. Our intangible assets decreased from approximately RMB91.9 million as at 31 December 2021 to approximately RMB78.9 million as at 31 December 2022, primarily due to decrease in normal amortisation.

Goodwill

The Group's goodwill represents the difference between the total consideration for the acquisitions of Anhui Hanlin Property Services Company Limited, Shenzhen Huazhong Property Management Company Limited, Ningbo Hongjian Management Services Co., Ltd., Easy Life Smart Community Services Group Co., Ltd. and Beijing Boan Property Management Co., Ltd. and their respective total identifiable net assets as at the respective acquisition dates, net of relevant impairment amount. As at 31 December 2022, the goodwill of the Group recorded no change as compared to that as at 31 December 2021.

Trade and Other Receivables

As at 31 December 2022, the total trade and other receivables was approximately RMB694.7 million, representing an increase of approximately RMB200.8 million as compared to approximately RMB493.9 million as at 31 December 2021, which is mainly due to (i) longer collection cycle of trade receivables because of the impact of the overall economic environment; and (ii) increase in tax prepaid.

Amounts Due from Non-controlling Shareholders of Subsidiaries, Fellow Subsidiaries and Related Parties

The Group's amounts due from non-controlling shareholders of subsidiaries, fellow subsidiaries and related parties increased from approximately RMB26.2 million as at 31 December 2021 to approximately RMB60.5 million as at 31 December 2022, mainly due to longer settlement period with fellow subsidiaries.

Trade and Other Payables

As at 31 December 2022, the trade and other payables was approximately RMB772.8 million, representing an increase of approximately RMB42.9 million or approximately 5.9% as compared to that of approximately RMB729.9 million as at 31 December 2021, mainly due to longer settlement period with our suppliers.

Bank Borrowing

As at 31 December 2022, we had (i) outstanding bank loans of approximately RMB139.0 million; and (ii) no unutilised banking facilities for short term financing. Our bank borrowing carried at fixed rate ranging from 4.75% to 5.50% (2021: ranging from 4.35% to 6.15%) per annum and was guaranteed by certain subsidiary of the Group or certain fellow subsidiaries, and was pledged by equity interests in certain subsidiaries.

Lease Liabilities

As at 31 December 2022, lease liabilities of the Group due within one year were approximately RMB3.3 million and the balance of lease liabilities due above one year was approximately RMB16.0 million as at 31 December 2022.

Contingent Liabilities

As at 31 December 2022, we did not have any material contingent liabilities.

Gearing Ratio

Gearing ratio is calculated based on the total liabilities divided by the total assets. Gearing ratio was 0.65 for the year ended 31 December 2021 and 0.55 for the year ended 31 December 2022.

Asset Pledge

As at 31 December 2022, no asset of the Group was pledged, except for the pledge of equity in certain subsidiaries to obtain bank borrowings of RMB137.0 million.

Proceeds from the Listing

The shares of the Company were listed on the Main Board of the Stock Exchange on 18 March 2019 (the “**Listing**”) and issued 175,000,000 new shares. On 2 April 2019, the over-allotment option was fully exercised to allot 26,250,000 new shares. After deducting the underwriting fees and relevant expenses, net proceeds from the Listing and the over-allotment option amounted to approximately HK\$577.0 million and HK\$93.7 million (approximately RMB493.1 million and RMB80.1 million). As at the date of this announcement, the Group has utilised approximately RMB436.8 million of the capital raised, of which approximately RMB333.2 million was used to acquire or invest in other commercial operational services and property management services providers; approximately RMB33.5 million was used to acquire or invest in service providers (providing services complementary to the Group’s commercial operational services and property management services); approximately RMB10.2 million was used to develop and upgrade our O2O platforms; approximately RMB2.6 million was used to develop intelligent service systems and upgrade our internal IT system; and approximately RMB57.3 million was used for working capital and general corporate purposes. All unutilised net proceeds as at the date of this announcement, which amounted to approximately RMB136.4 million, will be used to pursue strategic acquisition and investment opportunities to acquire or invest in other commercial operational service and property management service providers to achieve our business strategies of scaling up our commercial operational service business and expanding our property management service portfolio.

EMPLOYMENT AND REMUNERATION POLICY

As at 31 December 2022, the Group had 3,093 employees. The staff cost was approximately RMB373.0 million in 2022. The Group regularly reviews remuneration and benefits of its employees according to the relevant market practice and individual performance of the employees. Pursuant to relevant laws and regulations in the PRC, the Group provides contributions to social insurance in China (including pension insurance, medical insurance, unemployment insurance, maternity insurance and occupational injury insurance) and housing provident funds for our employees in the PRC. The Group also operates a Mandatory Provident Fund Scheme for all qualified employees in Hong Kong.

MATERIAL ACQUISITION, DISPOSAL AND SIGNIFICANT INVESTMENT

There was no material acquisition and disposal conducted by the Group during the Year, nor was there any significant investment or plan authorised by the Board for material investment or addition of capital assets as of 31 December 2022.

ANNUAL GENERAL MEETINGS

The annual general meeting of the Company for 2022 was held on 24 August 2022. Due to the delay in publication of the audited consolidated financial statements of the Group and the reports of the Directors and of the independent auditor for the year ended 31 December 2021, the resolution to consider and approve the aforesaid documents will be transacted in the adjourned annual general meeting of the Company (the “**2022 Adjourned Annual General Meeting**”).

The 2022 Adjourned Annual General Meeting of the Company and the 2023 annual general meeting of the Company (the “**2023 Annual General Meeting**”, together with the 2022 Adjourned Annual General Meeting, the “**AGMs**”) will be held on Tuesday, 25 July 2023 and the notice of the AGMs will be published and despatched to the shareholders in the manner as required by the Rules Governing the Listing of Securities on the Stock Exchange (the “**Listing Rules**”) in due course.

FINAL DIVIDEND

The Directors do not recommend the payment of final dividend for the year ended 31 December 2022 (2021: Nil).

CLOSURE OF REGISTER OF MEMBERS

For the purpose of determining the qualification as shareholders of the Company to attend and vote at the AGMs, the register of members of the Company will be closed from Tuesday, 18 July 2023 to Tuesday, 25 July 2023, both days inclusive. In order to be eligible to attend and vote at the AGMs, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's branch share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 17 July 2023, being the last share registration date.

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

During the year ended 31 December 2022, neither the Company nor its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Board confirms that the Company has maintained the public float as required by the Listing Rules as at the latest practicable date prior to the issue of this announcement.

AUDIT COMMITTEE

The audit committee of the Company (the "**Audit Committee**") comprises Mr. Hung Ka Hai Clement (chairman), Dr. Li Zijun and Mr. Wang Shao. The Audit Committee, together with the Board, have reviewed the accounting principles and practices adopted by the Group and discussed auditing and financial reporting matters including the review of the financial statements of the Group for the year ended 31 December 2022.

CORPORATE GOVERNANCE CODE

The Board is committed to achieving high corporate governance standards.

The Board believes that high corporate governance standards are essential in providing a framework for the Group to safeguard the interests of shareholders, enhance corporate value, formulate its business strategies and policies, and enhance its transparency and accountability.

The Company has adopted the principles and code provisions of the Corporate Governance Code (the "**CG Code**") contained in Part 2 – Principles of Good Corporate Governance, Code Provisions and Recommended Best Practices of Appendix 14 to the Listing Rules as the basis of the Company's corporate governance practices.

The Company has also in place a corporate governance framework and has established a set of policies and procedures based on the CG Code. Such policies and procedures provide the infrastructure for enhancing the Board's ability to implement governance and exercise proper oversight on business conduct and affairs of the Company.

The Board is of the view that throughout the Year, the Company has complied with all the code provisions as set out in the CG Code, except for code provisions C.1.6, F.2.2 and D.3.3(e) (i).

Code provision C.1.6 stipulates that independent non-executive directors and other non-executive directors should attend general meetings to gain and develop a balanced understanding of the views of shareholders. Code provision F.2.2 stipulates that the chairman of the board should attend the annual general meeting.

Mr. Guo Zining, the then chairman of the Board, Mr. Ruan Yongxi, Dr. Li Zijun and Mr. Wang Shao were not able to attend the annual general meeting of the Company held on 24 August 2022. However, the non-executive Directors and independent non-executive Directors who were absent had shared their views before the general meetings and there were other executive Directors and non-executive Directors participating the general meetings for gaining and developing a balanced understanding of views of shareholders.

Code provision D.3.3(e)(i) provides that the audit committee should liaise with the board and senior management and the audit committee must meet, at least twice a year, with the issuer's auditor. However, due to the delay in publication of the annual results for the financial year ended 31 December 2021 and the interim results for the six months ended 30 June 2022, the Audit Committee did not meet with external auditors twice during the Year in compliance with code provision D.3.3(e)(i).

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Listing Rules as the code of conduct for its Directors dealing in securities of the Company. The Company has made specific enquiry to all Directors and all Directors have confirmed that they have complied with the Model Code throughout the Year.

UPDATED INFORMATION OF DIRECTORS PURSUANT TO RULE 13.51B(1) OF THE LISTING RULES

The changes in the information of the Directors, which is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules are set out below:

Mr. Zheng Wei resigned as an executive Director and the president of the Group with effect from 1 September 2022.

Mr. Guo Zining resigned as a non-executive Director and the chairman of the Board with effect from 16 February 2023.

Mr. Zhu Yunfan was appointed as a non-executive Director with effect from 16 February 2023.

Mr. Cheng Siu Fai was appointed as a member of the remuneration committee, the chairman of the nomination committee and an authorised representative of the Company with effect from 16 February 2023.

EVENTS AFTER THE REPORTING PERIOD

For the events after the reporting period, please refer to the section headed “EVENTS AFTER THE REPORTING PERIOD” in the announcement of annual results for the year ended 31 December 2021 of the Company dated 4 May 2023.

SCOPE OF WORK OF ZHONGHUI ANDA CPA LIMITED ON THE PRELIMINARY RESULTS ANNOUNCEMENT

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 2022 as set out in the preliminary announcement have been agreed by the Group’s auditors, ZHONGHUI ANDA CPA Limited, to the amounts set out in the Group’s audited consolidated financial statements for the Year.

The work performed by ZHONGHUI ANDA CPA 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 opinion and assurance conclusion has been expressed by ZHONGHUI ANDA CPA Limited on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT

This annual results announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.aoyuanjksh.com). The annual report of the Company for the year ended 31 December 2022 containing all the information required by the Listing Rules will be despatched to the Company’s shareholders and available on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

At the request of the Company, trading in the shares of the Company on the Stock Exchange has been suspended with effect from 9:00 a.m. on Friday, 1 April 2022 and will remain suspended until further notice.

By the order of the Board
Aoyuan Healthy Life Group Company Limited
Cheng Siu Fai
Executive Director

Hong Kong, 17 May 2023

* *In this announcement, the English names are translation of their Chinese names and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

As at the date of this announcement, the executive Director is Mr. Cheng Siu Fai; the non-executive Directors are Mr. Ruan Yongxi and Mr. Zhu Yunfan; and the independent non-executive Directors are Mr. Hung Ka Hai Clement, Dr. Li Zijun and Mr. Wang Shao.