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# A-LIVING SMART CITY SERVICES CO., LTD.\*

## 雅生活智慧城市服務股份有限公司

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

### ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

#### FINANCIAL SUMMARY

	For the six months ended 30 June		
	2023	2022	Changes
Revenue (RMB million)	<b>7,698.5</b>	7,619.9	1.0%
Gross profit (RMB million)	<b>1,573.6</b>	2,052.6	-23.3%
Gross profit margin	<b>20.4%</b>	26.9%	-6.5 percentage points
Net profit (RMB million)	<b>951.5</b>	1,149.5	-17.2%
Net profit margin	<b>12.4%</b>	15.1%	-2.7 percentage points
Profit attributable to shareholders			
of the Company (RMB million)	<b>839.0</b>	1,057.9	-20.7%
Basic earnings per share (RMB)	<b>0.59</b>	0.75	-21.3%
Cash and cash equivalents (RMB million)	<b>3,759.7<sup>#</sup></b>	3,799.3 <sup>*</sup>	-1.0%
Proposed Interim Dividend per share			
(RMB)	<b>0.025</b>	—	—
Proposed dividend payout ratio	<b>4.2%</b>	—	—
Total proposed Interim Dividend			
(RMB million)	<b>35.5</b>	—	—
#	As at 30 June 2023		
*	As at 31 December 2022		

- For the six months ended 30 June 2023 (the “**Period**”), the Group recorded a revenue of RMB7,698.5 million, representing an increase of 1.0% as compared with the corresponding period of last year. During the Period, the revenue contributed by the Group’s four major businesses was as follows: (i) revenue from property management services increased by 7.4% to RMB5,267.3 million as compared with the corresponding period of last year; (ii) revenue from property owners value-added services increased by 7.7% to RMB1,167.2 million as compared with the corresponding period of last year; (iii) revenue from city services increased by 5.0% to RMB673.9 million as compared with the corresponding period of last year; and (iv) revenue from extended value-added services decreased by 40.4% to RMB590.1 million as compared with the corresponding period of last year.
- During the Period, the Group recorded (i) a gross profit of RMB1,573.6 million, representing an decrease of 23.3% as compared to the same period of last year, with a gross profit margin of 20.4%, representing a year-on-year decrease of 6.5 percentage points; (ii) a core gross profit margin, which excludes the effect of amortization of intangible assets due to the merger and acquisition, of 21.7%; (iii) a profit attributable to shareholders (the “**Shareholders**”) of the Company of RMB839.0 million, representing an decrease of 20.7% as compared with the corresponding period of last year; (iv) a net profit margin of 12.4%, representing a year-on-year decrease of 2.7 percentage points; (v) a net profit margin, which excludes the effect of amortization of intangible assets and depreciation of appraisal appreciation of fixed assets due to the merger and acquisition, of 13.4%; and (vi) basic earnings per share of RMB0.59.
- Taking into account the Group’s business development needs and the Shareholders’ investment returns, the Board proposed to declare an interim dividend of RMB0.025 per share (before tax) during the six months ended 30 June 2023, representing a dividend payout ratio of approximately 4.2%.

## CHAIRMAN’S STATEMENT

Dear Shareholders,

We are pleased to present the unaudited consolidated results of A-Living Smart City Services Co., Ltd. (“**A-Living**” or the “**Company**”) and its subsidiaries (collectively, the “**Group**”) for the six months ended 30 June 2023 (the “**Period**”).

In the first half of 2023, daily life of residents in China gradually returned to normal as the pandemic was brought under control. However, the economic recovery was still moderate as it was affected by the global political and economic environment. The real estate market has undergone a profound adjustment, downshifting from rapid development to stable development. After a spurt of the release of the pent-up housing demand amid the easing of the pandemic control in the first quarter, the relationship between supply and demand returned to a balance. However, the overall property development and sales were still sluggish and cash flow of real estate companies was still tight. As a result, the overall recovery in the property market fell short of expectations. Although the growth rate of property management companies has slowed down in the era of a property market dominated by housing inventory, the industry is in consolidation and keeps developing. Branded property management companies have been building up their presence in the markets for non-residential properties and existing residential properties, and have been refocusing themselves on their original aspiration to provide good service to property owners, and enhancing their service capabilities in order to maintain the advantage of economies of scale in the fiercely competitive market.

### **Business Review**

In the first half of 2023, the Group continued to leverage its first-mover advantage in market-oriented development and further developed the markets for non-residential properties and existing residential properties. The Group maintained its leading position in the industry in terms of market expansion of the third-party projects and ranked second among the Top 100 Property Management Companies in China for 2023. During the Period, the Group enhanced its capability to provide quality service and further built up its presence throughout the entire value chain of the property management industry. It also focused on improving operational efficiency and strengthening cash flow management while expanding its business scale, with the aim of achieving quality growth.

During the Period, the revenue of the Group was RMB7,698.5 million, representing an increase of 1.0% as compared with the corresponding period of last year. Gross profit was RMB1,573.6 million and gross profit margin was 20.4%. Net profit was RMB951.5 million and net profit margin was 12.4%. Profit attributable to the Shareholders was RMB839.0 million and the basic earnings per share were RMB0.59. Although the growth rate of certain businesses was affected by the macro-economic environment and the cycle of the real estate sector, the Group strategically focused on business segments that were capable of sustaining growth. Of such business segments, property management services, value-added services to property owners and city services recorded year-on-year growth of 7.2% in revenue for the Period.

As at 30 June 2023, the GFA under management and contracted GFA of the Group reached 575.4 million sq.m. and 762.1 million sq.m. respectively. The scale of third-party projects increased rapidly through the Group's market expansion, with the contracted GFA reaching 614.3 million sq.m., and newly obtained contracted GFA exceeding 30.0 million sq.m., which represented an increase of 5.3% compared with that as at 31 December 2022 and accounted for 80.6% of the total contracted GFA. Third-party projects were the main source of growth in the Group's management scale.

Property management enterprises have shifted from expanding their business scale rapidly through mergers and acquisitions in the previous several years to achieving growth with branding, service quality and distinctive service features. As the development and delivery of new residential properties slowed down, property management companies were inclined to look for development opportunities in the markets of non-residential properties and existing residential properties as well as by extending the scope of their services to city services. Although the market sentiment has become more rational, competition is still intense. To cope with the new competitive landscape, the Group's market development centre flexibly adjusted its strategy by conducting city classification and implementing product branding strategy, taking into account both the growth in business scale and profitability. It also identified market opportunities by conducting research with precision. During the Period, more than 70% of the newly acquired projects were located in the selected key cities. In the first half of the Year, the Group achieved remarkable results in market expansion and ranked among the top property management companies in terms of the newly-added GFA and the corresponding contract value generated from third-party property projects for consecutive months. In the first half of the Year, the Group successively obtained property management projects such as Guangzhou Library, Shenzhen Honggang Park (深圳紅崗公園), Wenzhou University of Technology, Chengyang Campus of Qingdao Agricultural University and the Affiliated Chaohu Hospital of Anhui Medical University by consistently manifesting its advantages in providing services to public buildings and by leveraging the resources and experience of its member companies. The Group continued to refine its services to commercial and enterprise properties and office buildings to provide high-standard and customised services for the property owners. During the Period, the Group won the bids for a number of tenders in several phases for property management service to China Mobile Limited and those for the property management projects from large-scale enterprises such as the Tianjin Branch of CNOOC China Limited, and obtained property management projects for such properties as Lingang Building and Sanhang Technology Building of CRCC. Leveraging its experience in providing property management services for public buildings, the Group continued to consolidate the presence of its city services business and obtained a number of high-quality city services projects in Guangdong, Shanxi, Hebei and Inner Mongolia under the asset-light business model. After obtaining the city service project in Henggang Sub-district of Longgang District, the Group also won the bid for another city service project in Yuanshan Sub-district of Longgang District during the Period, thereby attaining synergy in this district and consolidating its advantages in the Shenzhen market.

During the Period, the Group adhered to the “platform plus ecosystem” strategy, optimized its market coverage of its value-added services to property owners, improved the business systems of its property management services to government, enterprises and communities, and provided professional value-added service solutions for various service scenarios. According to its insights into the changes in customer needs, the Group adjusted its business priorities and strategies, optimized the supply chain, and focused on living services such as housekeeping, repair and maintenance as well as retail services which have been experiencing rapid growth in demand after the pandemic and have been less affected by the economy or the real estate industry. Specifically, the orders received and stored-value at its 51 Home Service, a housekeeping service platform, reached a record high in the first half of the Year. In addition, the Group launched such services as the group catering for institutional clients. This resulted in an increase in the scale and the enhancement of the brand influence of such businesses. The Group’s group catering business began to take shape by establishing Lemeishan (樂美膳), a professional group catering business platform, aiming at building a number of benchmark projects of running canteens for institutions, such as Guangzhou Baiyun Yiyun Technology Park (廣州白雲益雲科技園), a national high-tech zone. The Group plans to start with group catering service as an entry point for the establishment of integrated value-added services to institutional customers through its coordination with the Group’s basic property management service capabilities.

Quality is the lifeblood of the Group and the foundation of development, while refined and informatized operation is a key to sustainable development. During the Period, the Group improved the systems for quality management and business management through its operation management centre, covering all business units thoroughly, achieving integrated management of quality, business operation and the post-acquisition integration. After the pandemic, property owners have higher expectations about the refinement and quality standards of property management, and the quality and reputation of the service are also important driving forces behind the expansion of the existing market. Through systematic management and control measures, including reviewing, early-stage warning, inspection, and closed-loop rectification, the Group focused on strictly preventing security incident, and achieved improvement in the fundamentals of its service. During the Period, the satisfaction rate of property owners increased, and the complaint rate decreased year on year. In terms of quality management, the Group upgraded the quality control mechanism, issued the “Four-level Quality Management Inspection System” (《四級品質管理巡查制度》) and the “Red and Yellow Card Assessment System for Quality Control” (《品質管控紅黃牌考核制度》), and effectively urged the rectification of on-site problems by conducting inspection on projects across the country. The Group also continuously refined the system for standards of service, established a “service classification system” for different types of projects, and set corresponding service standards. It continued to pilot the national-level advanced standard system for residential property management as a model of the industry. At present, the competition in the property management industry is intensifying and, therefore, the Group emphasizes on the operational efficiency and cash flow at its property management projects. During the Period, the Group stepped up the management of its suppliers as well as the standardization of business operation and management, and concentrated on tracking projects with abnormal management fee collection rate, satisfaction level and other operating indicators to ensure service quality and the standards of its business operation and management.

Intelligentization and informatization can effectively improve the Group's operational efficiency and ensure service quality. During the Period, the Group continued to build up its information technology platform, which allows the whole organization to share information and resources throughout the entire business process in order to conduct efficient and coordinated management and control across organizations and to promote the integration of organizations and businesses. During the Period, the Group's master data system continued to cover the businesses of property management and city services, and the Group promoted the application of various systems for contract management, financial management and business operation to raise the level of operation refinement, intelligentization and business management efficiency. During the Period, the Group upgraded the system for processing customer orders, improved the closed-loop system for services and strengthened its management of customer satisfaction by conducting customer reviews. Such efforts significantly improved the efficiency of customer service response rate by 25%. The Group deepened its cooperation with DingTalk (China) in terms of organizational management and market management to enable the joint operations of business units of the Group as well as the management of each business unit individually. Thus, it effectively improved the efficiency of both the outsourced employee management and of the response rate of customer service.

## **Prospect**

The current macroeconomic environment and market conditions are changing rapidly while challenging. The property management companies have gradually shifted from the strategy of rapid scale expansion and extending the scope of business along the industry value chain to the strategy of refocusing themselves on their original aspiration to serve property owners and provide good service, and driving quality growth with the quality and standards of service. In the past five years, the Group has refined the scope of its business throughout the industry value chain, and capitalized on the consolidation of the industry by rapidly scaling up its business. As a result, the Group maintains its leading position in the industry in terms of its overall strength. In the future, the Group will strategically focus resources on developing business segments with emphasis on profitability and high cash flow to achieve high-quality and sustainable development.

Quality is the lifeblood and the first priority of business operation. The Group understands that the satisfaction level of property owners and reputation are the cornerstones of development. The property management projects are the smallest business units of the Group. The long-term development of an enterprise hinges on the operation of each project and the service to each property owner. The Group will continue to enhance the quality of its service and further refine the property management at each project. It will also continue to build up its service standard system, provide better service for property owners and customers so as to effectively raise the level of property owners' satisfaction. In the second half of the year, the Group will continue to conduct various types of inspections to ensure regulatory compliance in business operation, investigate and rectify any outstanding problems in project operation and management, focus on the cash collection rate and operational efficiency at each project, and eliminate safety and operational risks. In terms of informatization and intelligentization of service and management, the Group will increase investment with precision to ensure the smooth operation of information technology tools at each project, drive the standardization of the service through informatization, and create featured services through intelligentization.

Market expansion is the main driving force behind the Group's scale growth. Although the overall market for property management is still growing steadily, it is more difficult to expand the market of existing properties due to the limited supply of new properties and the changes in the competitive landscape. The Group will continue to focus on "horizontally broadening the variety of properties and vertically extending the scope of its services", optimize its market coverage in both the density and depth, attain economies of scale with the professional business capabilities of providing "diverse, full-lifecycle services for all types of properties", and keep building up its brands. In terms of developing its business presence in regional markets, the Group will press on with its "city-specific business strategies", and continue to increase the proportion of projects in strategically important cities and cities which the Group has earmarked for further business development. As to the development of the market of existing properties, the Group will pay more attention to profitability and cash collection rate, and strike a balance between risks and returns. In addition, the Group will deeply explore the market potential of customer needs, focus on strengthening the management of major customers, and cultivate long-term customers with a flexible cooperation model. In the field of city services, A-Living will launch the "A-Living City Blooming Plan", continue to give full play to the advantages of its business presence in tier-1 and tier-2 cities, and seek to provide a comprehensive range of city services in the regions where the Group has a competitive advantage so as to build benchmark projects of providing comprehensive city services and to have economies of scale.

In the past few years, property management companies have been actively exploring the possibilities of value-added services to property owners and have been building up their presence in that market accordingly. However, they have encountered bottlenecks such as slowdown in business growth and insufficient coordination among their various business segments. With the changes in economic environment, the real estate market downturn, the pandemic and other factors that have affected consumption habits as well as upgrading demands, the models of developing value-added services to property owners have gradually become differentiated. In the future, the Group will adhere to the professional and market-oriented concept when developing value-added services, and shift from the "all-inclusive" service model to concentrate resources on the vertical development of "specialized and professional" services with high potential in development. In the second half of the year, the Group will focus on fostering the key businesses, and accelerate the development of specialized services such as community living services, energy-saving renovation and group catering with flexible and diverse forms of cooperation and business models. Meanwhile, the Group will attach importance to operational efficiency, and the balance between investment of resources and economic benefits of business, and will raise the standards of the operation and management of its value-added services through digitalization so as to create long-term value.

In terms of management and operation, the Group will continue to focus on the four key performance indicators, namely those of "service quality, management scale, economic benefits and cash collection". It will take effort to safeguard the bottom line, and improve both the quality and efficiency. The Group also attaches importance to regulatory compliance and integrity at its business operation so it will also ensure integrity and good governance, improve the mechanisms for business operation, optimize the cost management, strengthen its supervision of the suppliers, and reduce operational risks. Property management is a business with an asset-light model and sufficient cash flow. The Group will pay close attention to cash collection at its property management projects, and improve both the management fee collection rate and cash flow. In terms of organization and team building, the Group will continue to optimize organizational management, step up its support for the front-line staff with resources, and solve

the problem of uneven development of its various regional offices. Meanwhile, the Group will focus on team building of talents, talent training system and the talent reserve, and establish a fair and competitive system of career development and remuneration for employees. The Group will uphold the business philosophy of “mutually beneficial cooperation”, continue to improve the operational efficiency of all member companies, enhance the integration and management of member companies, and attach importance to the quality and efficiency of cooperation. In addition, the Group will bolster team cohesion and cultivate the spirit of a unified and down-to-earth team.

The Group will stay true to its original aspiration, adhere to the market-oriented, customer-oriented approach and focus on providing quality service to property owners, thus firmly reinforcing the fundamentals of its business. It will also take a perspective of longtermism while taking into account short-term economic benefits. Stamina can only be proven after a long period of tests. Through the implementation of its strategic plan, which can be summed up by the phrase “building up brand through word-of-mouth, aiming for stable development, enhancing capabilities, and facilitating organizational integration”, the Group will strive to achieve high-quality, sustainable growth in business scale, enhance its profitability and create long-term value for the society, customers, shareholders, employees and business partners.

### **Acknowledgement**

On behalf of the board (the “**Board**”) of directors (the “**Directors**”) of the Company, we would like to extend our heartfelt gratitude to the enormous support from our Shareholders and customers, as well as the dedicated efforts of all our staff members, all of which greatly contributed to the growth of the Group.

## INTERIM CONDENSED CONSOLIDATED INCOME STATEMENT

	<i>Notes</i>	<b>Six months ended 30 June</b>	
		<b>2023</b>	2022
		<b>RMB'000</b>	RMB'000
		<b>(Unaudited)</b>	(Unaudited)
<b>Revenue</b>	3	<b>7,698,512</b>	7,619,866
Cost of sales		<u><b>(6,124,953)</b></u>	<u>(5,567,238)</u>
<b>Gross profit</b>		<b>1,573,559</b>	2,052,628
Selling and marketing expenses		<b>(52,728)</b>	(29,416)
Administrative expenses		<b>(383,170)</b>	(398,742)
Net impairment losses on financial assets		<b>(45,605)</b>	(274,514)
Other income	4	<b>99,753</b>	86,901
Other gains – net	5	<u><b>13,646</b></u>	<u>197</u>
<b>Operating profit</b>		<b>1,205,455</b>	1,437,054
Finance costs	6	<b>(11,593)</b>	(9,536)
Share of post-tax profits of joint ventures and associates		<u><b>11,243</b></u>	<u>29,807</u>
<b>Profit before income tax</b>		<b>1,205,105</b>	1,457,325
Income tax expenses	7	<u><b>(253,599)</b></u>	<u>(307,830)</u>
<b>Profit for the period</b>		<u><b>951,506</b></u>	<u>1,149,495</u>
<b>Profit attributable to:</b>			
– Shareholders of the Company		<b>838,952</b>	1,057,908
– Non-controlling interests (“NCI”)		<u><b>112,554</b></u>	<u>91,587</u>
		<u><b>951,506</b></u>	<u>1,149,495</u>
<b>Earnings per share (expressed in RMB per share)</b>			
– Basic and diluted earnings per share	8	<u><b>0.59</b></u>	<u>0.75</u>

## INTERIM CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	<b>Six months ended 30 June</b>	
	<b>2023</b>	<b>2022</b>
	<b>RMB'000</b>	<b>RMB'000</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Profit for the period</b>	<b>951,506</b>	1,149,495
<b>Other comprehensive income</b>		
Item that will not be reclassified to profit or loss		
– changes in fair value of financial assets at fair value through other comprehensive income, net of tax	–	(2,338)
	<u>–</u>	<u>(2,338)</u>
<b>Total comprehensive income for the period</b>	<b>951,506</b>	1,147,157
	<u><b>951,506</b></u>	<u>1,147,157</u>
<b>Attributable to:</b>		
– Shareholders of the Company	<b>838,952</b>	1,056,505
– Non-controlling interests	<b>112,554</b>	90,652
	<u><b>112,554</b></u>	<u>90,652</u>
	<u><b>951,506</b></u>	<u>1,147,157</u>

## INTERIM CONDENSED CONSOLIDATED BALANCE SHEET

		As at <b>30 June 2023</b> <i>RMB'000</i> <b>(Unaudited)</b>	As at 31 December 2022 <i>RMB'000</i> <b>(Audited)</b>
	<i>Notes</i>		
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment (“PPE”)	9	579,541	602,543
Right-of-use assets	9	92,837	51,716
Investment properties	10	273,220	252,796
Other intangible assets	11	1,267,887	1,372,249
Goodwill	11	3,314,901	3,314,901
Deferred income tax assets		267,034	258,961
Investments accounted for using the equity method		1,177,199	1,169,571
Prepayments	12	893,044	362,280
Financial assets at fair value through other comprehensive income (“FVOCI”)		12,593	12,593
Financial assets at fair value through profit or loss (“FVPL”)		3,238	3,238
		<b>7,881,494</b>	7,400,848
<b>Current assets</b>			
Trade and other receivables and prepayments	12	9,935,529	10,353,331
Inventories		50,331	46,968
Financial assets at fair value through profit or loss		1,999,905	1,043,514
Restricted cash		42,987	57,791
Cash and cash equivalents		3,759,711	3,799,262
		<b>15,788,463</b>	15,300,866
<b>Total assets</b>		<b>23,669,957</b>	22,701,714

	<i>Notes</i>	<b>As at 30 June 2023 RMB'000 (Unaudited)</b>	As at 31 December 2022 RMB'000 (Audited)
<b>Equity</b>			
<b>Equity attributable to shareholders of the Company</b>			
Share capital	<i>13</i>	<b>1,420,001</b>	1,420,001
Other reserves	<i>14</i>	<b>5,626,972</b>	5,687,588
Retained earnings		<b>6,178,717</b>	5,356,798
		<b>13,225,690</b>	12,464,387
Non-controlling interests		<b>1,625,815</b>	1,660,207
<b>Total equity</b>		<b>14,851,505</b>	14,124,594
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Other payables	<i>15</i>	<b>82</b>	6,672
Contract liabilities		<b>54,490</b>	19,727
Borrowings		<b>71,629</b>	11,749
Lease liabilities		<b>52,331</b>	25,298
Deferred income tax liabilities		<b>337,040</b>	325,539
		<b>515,572</b>	388,985
<b>Current liabilities</b>			
Trade and other payables	<i>15</i>	<b>6,231,099</b>	6,022,128
Contract liabilities		<b>1,520,426</b>	1,340,277
Current income tax liabilities		<b>435,540</b>	561,434
Borrowings		<b>76,085</b>	93,071
Lease liabilities		<b>39,730</b>	26,892
Financial liabilities for put options		<b>–</b>	144,333
		<b>8,302,880</b>	8,188,135
<b>Total liabilities</b>		<b>8,818,452</b>	8,577,120
<b>Total equity and liabilities</b>		<b>23,669,957</b>	22,701,714

## NOTES TO THE INTERIM FINANCIAL INFORMATION

### 1. GENERAL INFORMATION

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

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

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

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

These condensed consolidated financial statements are presented in Renminbi, unless otherwise stated.

The condensed consolidated financial statements have not been audited.

### 2. ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax (see Note 2(a)) and the adoption of new and amended standards as set out below.

#### *(a) Income taxes*

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

#### *(b) New and amended standards adopted by the Group*

A number of new or amended standards became applicable for the current reporting period. The Group did not change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

- (c) *New and amendments to existing standards have been issued but are not effective for the financial year beginning on 1 January 2023 and have not been early adopted by the Group:*

		<b>Effective for accounting periods beginning on or after</b>
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5	1 January 2024
Amendments to HKAS 1	Non-current liabilities with Covenants	1 January 2024
Amendments to HKFRS 16	Lease liability in a Sale and Leaseback	1 January 2024
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associates or Joint Ventures	To be determined

The Group has already commenced an assessment of the impact of these new or revised standards and amendments. The adoption of these new and amended standards is not expected to have a material impact to the results or financial position of the Group.

### 3. REVENUE

Revenue mainly comprises proceeds from property management services, related value-added services and city sanitation and cleaning services. An analysis of the Group's revenue by category for the six months ended 30 June 2023 and 2022 was as follows:

		<b>Six months ended 30 June</b>	
		<b>2023</b>	<b>2022</b>
		<b>RMB'000</b>	<b>RMB'000</b>
		<b>(Unaudited)</b>	<b>(Unaudited)</b>
<b>Time of revenue recognition</b>			
Property management services	over time	<b>5,267,285</b>	4,904,086
Value-added services related to property management			
– Other value-added services	over time	<b>1,374,416</b>	1,885,969
– Sales of goods	at a point in time	<b>382,948</b>	188,146
City sanitation and cleaning services	over time	<b>673,863</b>	641,665
		<b>7,698,512</b>	7,619,866

#### 4. OTHER INCOME

	Six months ended 30 June	
	2023	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Interest income		
– from deposits and loans to third parties	65,381	23,587
– from loans to related parties	384	3,848
Government grants ( <i>note (i)</i> )	20,333	31,663
Tax incentives ( <i>note (ii)</i> )	12,923	24,201
Late payment charges	38	1,690
Rental income	351	692
Miscellaneous	343	1,220
	<u>99,753</u>	<u>86,901</u>

#### Notes:

- (i) Government grants consisted mainly of financial subsidies granted by the local governments. There are no unfulfilled conditions attached to the government grants recognised during the six months ended 30 June 2023.
- (ii) Tax incentives mainly included additional deduction of input value-added tax in relation to the community services provided by the Company and its certain subsidiaries.

#### 5. OTHER GAINS – NET

	Six months ended 30 June	
	2023	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Net fair value gains on financial assets at FVPL	14,891	17,843
Gains on disposal on financial assets at FVPL	2,933	–
Losses from disposal of subsidiaries	–	(1,301)
Exchange gains/(losses)	102	(2,484)
Fair value losses on financial liabilities for put options	–	(31,086)
Fair value (losses)/gains on investment properties ( <i>note 10</i> )	(6,036)	15,764
(Losses)/Gains on disposal of PPE	(582)	1,058
Dividend income	921	–
Miscellaneous	1,417	403
	<u>13,646</u>	<u>197</u>

## 6. FINANCE COSTS

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
Interest expenses of borrowings	9,486	2,558
Unwinding of discount on financial liabilities for put options	313	5,298
Interest expenses of long-term payables	–	256
Interest and finance charges paid/payable for lease liabilities	1,794	1,424
	<u>11,593</u>	<u>9,536</u>

## 7. INCOME TAX EXPENSES

	Six months ended 30 June	
	2023	2022
	<i>RMB'000</i>	<i>RMB'000</i>
	(Unaudited)	(Unaudited)
<b>Current income tax</b>		
– PRC corporate income tax	250,171	409,661
<b>Deferred income tax</b>		
– PRC corporate income tax	3,428	(101,831)
	<u>253,599</u>	<u>307,830</u>

### *PRC corporate income tax*

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

The corporate income tax rate applicable to the group entities located in Mainland China is 25% (six months ended 30 June 2022: 25%) according to the Corporate Income Tax Law of the PRC.

In 2020, Guangzhou Yatian Network Technology Co., Ltd. (“**Guangzhou Yatian**”) obtained the Certificate of High and New Technology Enterprise with valid period from 2020 to 2022. In April 2021, the Company obtained the Certificate of High and New Technology Enterprise before annual tax filing of 2020 with valid period from 2020 to 2022. According to the Corporate Income Tax Law of the PRC, corporations which obtain the Certificate of High and New Technology Enterprise are entitled to enjoy additional tax deduction for research and development costs and a preferential corporate income tax rate of 15%. As at the date of the issuance of these interim condensed consolidated financial statements, the renewal of the accreditation is in process and management of the Group expects the renewal will be completed before 31 December 2023. As such, the estimated corporate income tax rate of the Company and Guangzhou Yatian for the six months ended 30 June 2023 is 15%.

Certain subsidiaries of the Group in the PRC are located in western cities and subject to a preferential income tax rate of 15% for certain years. Certain of the Group's subsidiaries enjoy the preferential income tax treatment for Small and Micro Enterprise with the income tax rate of 20% and are eligible to have their tax calculated based 25% (six months ended 30 June 2022: 25%) of their taxable income. Certain subsidiaries of the Group in the PRC are located in Hainan Free Trade Port and subject to a preferential income tax rate of 15% for certain years (six months ended 30 June 2022: 15%).

#### ***Hong Kong income tax***

No Hong Kong profits tax was applicable to the Group for the six months ended 30 June 2023 and 2022. There were three subsidiaries incorporated in Hong Kong. No Hong Kong profits tax was provided for those three Hong Kong subsidiaries as there was no estimated taxable profits that was subject to Hong Kong profits tax during six months ended 30 June 2023 and 2022.

## **8. EARNINGS PER SHARE**

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the six months ended 30 June 2023 and 2022.

The Company did not have any potential ordinary shares outstanding during the six months ended 30 June 2023 and 2022. Diluted earnings per share was equal to basic earnings per share.

	<b>Six months ended 30 June</b>	
	<b>2023</b>	2022
	<b>(Unaudited)</b>	(Unaudited)
Profit attributable to shareholders of the Company ( <i>RMB'000</i> )	<b>838,952</b>	1,057,908
Weighted average number of ordinary shares in issue ( <i>in thousands</i> )	<b>1,420,001</b>	1,420,001
Basic earnings per share for profit attributable to the shareholders of the Company during the period ( <i>expressed in RMB per share</i> )	<b>0.59</b>	0.75

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

	Buildings <i>RMB '000</i>	Transportation equipment <i>RMB '000</i>	Office equipment <i>RMB '000</i>	Machinery <i>RMB '000</i>	Subtotal <i>RMB '000</i>	Right-of-use assets <i>RMB '000</i>	Total <i>RMB '000</i>
<b>As at 1 January 2023</b>							
Cost	165,578	180,700	59,875	413,847	820,000	147,666	967,666
Accumulated depreciation	(34,165)	(48,990)	(28,813)	(105,489)	(217,457)	(95,950)	(313,407)
Net book amount	<u>131,413</u>	<u>131,710</u>	<u>31,062</u>	<u>308,358</u>	<u>602,543</u>	<u>51,716</u>	<u>654,259</u>
<b>Six months ended 30 June 2023</b>							
<b>(Unaudited)</b>							
Opening net book amount	131,413	131,710	31,062	308,358	602,543	51,716	654,259
Additions	295	5,098	7,308	37,481	50,182	61,786	111,968
Disposals	-	(6,436)	(377)	(1,988)	(8,801)	-	(8,801)
Depreciation charge	(2,174)	(18,563)	(8,205)	(35,441)	(64,383)	(20,665)	(85,048)
Closing net book amount	<u>129,534</u>	<u>111,809</u>	<u>29,788</u>	<u>308,410</u>	<u>579,541</u>	<u>92,837</u>	<u>672,378</u>
<b>As at 30 June 2023 (Unaudited)</b>							
Cost	162,890	175,431	63,424	443,540	845,285	158,594	1,003,879
Accumulated depreciation	(33,356)	(63,622)	(33,636)	(135,130)	(265,744)	(65,757)	(331,501)
Net book amount	<u>129,534</u>	<u>111,809</u>	<u>29,788</u>	<u>308,410</u>	<u>579,541</u>	<u>92,837</u>	<u>672,378</u>
<b>As at 1 January 2022</b>							
Cost	163,887	121,582	42,353	303,724	631,546	157,479	789,025
Accumulated depreciation	(30,645)	(26,937)	(17,603)	(49,530)	(124,715)	(83,611)	(208,326)
Net book amount	<u>133,242</u>	<u>94,645</u>	<u>24,750</u>	<u>254,194</u>	<u>506,831</u>	<u>73,868</u>	<u>580,699</u>
<b>Six months ended 30 June 2022</b>							
<b>(Unaudited)</b>							
Opening net book amount	133,242	94,645	24,750	254,194	506,831	73,868	580,699
Additions	2,982	15,517	2,606	70,099	91,204	2,109	93,313
Acquisition of subsidiaries	-	2,153	729	518	3,400	-	3,400
Disposals	(2,913)	(2,421)	(163)	(684)	(6,181)	-	(6,181)
Depreciation charge	(4,760)	(14,358)	(3,797)	(22,835)	(45,750)	(22,557)	(68,307)
Closing net book amount	<u>128,551</u>	<u>95,536</u>	<u>24,125</u>	<u>301,292</u>	<u>549,504</u>	<u>53,420</u>	<u>602,924</u>
<b>As at 30 June 2022 (Unaudited)</b>							
Cost	163,933	138,997	51,425	368,525	722,880	146,886	869,766
Accumulated depreciation	(35,382)	(43,461)	(27,300)	(67,233)	(173,376)	(93,466)	(266,842)
Net book amount	<u>128,551</u>	<u>95,536</u>	<u>24,125</u>	<u>301,292</u>	<u>549,504</u>	<u>53,420</u>	<u>602,924</u>

As at 30 June 2023, certain self-used PPE with net book value of RMB46,731,000 (31 December 2022: RMB90,706,000) were pledged as collateral for the Group's borrowings.

## 10. INVESTMENT PROPERTIES

	Six months ended 30 June	
	2023	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
<b>Commercial properties:</b>		
At beginning of the period	252,796	88,916
Additions	26,460	156,292
Revaluation (losses)/gains recognised in profit and loss (note 5)	(6,036)	15,764
Disposals	–	(7,407)
	<u>273,220</u>	<u>253,565</u>
<b>At end of the period</b>	<b><u>273,220</u></b>	<b><u>253,565</u></b>

Notes:

- (i) Amounts recognised in the condensed consolidated income statement for investment properties:

	Six months ended 30 June	
	2023	2022
	<b>RMB'000</b>	<b>RMB'000</b>
	(Unaudited)	(Unaudited)
Rental income (note 4)	<u>351</u>	<u>692</u>

- (ii) As at 30 June 2023, no investment properties (31 December 2022: nil) were pledged as collateral for the Group's borrowings.

- (iii) As at 30 June 2023, the Group had no unprovided contractual obligations for future repairs and maintenance (31 December 2022: nil).

- (iv) **Fair value hierarchy**

As at 30 June 2023, all of the Group's investment properties were within level 3 of the fair value hierarchy as the valuation were arrived at by reference to certain significant unobservable inputs. There were no transfers between level 1, 2 and 3 during the period (31 December 2022: nil).

- (v) **Valuation processes and techniques**

The Group measures its investment properties at fair value. The investment properties were valued by the management as at 30 June 2023. Methods and key assumptions in determining the fair value of the investment properties as at respective dates are disclosed as follows:

Fair value measurements used significant unobservable inputs (level 3).

Fair values of investment properties are evaluated by using direct comparison approach, which is adopted assuming sale of each of these properties in its existing state with the benefit of vacant possession. By making reference to sales transactions as available in the relevant market, comparable properties in close proximity have been selected and adjustments have been made to account for the difference in factors such as location and property size.

The main level 3 input used by the Group is market price.

(vi) *Valuation inputs and relationships to fair value*

Description	Fair value as at 30 June 2023 RMB'000	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Office buildings	273,220	Market price (RMB/square meter)	15,000 – 54,000	The higher the market price, the higher the fair value

**11. OTHER INTANGIBLE ASSETS AND GOODWILL**

	Computer software RMB'000	Trademarks RMB'000	Customer relationship and backlogs RMB'000	Subtotal RMB'000	Goodwill RMB'000	Total RMB'000
<b>As at 1 January 2023</b>						
Cost	52,026	63,342	1,824,143	1,939,511	3,314,901	5,254,412
Accumulated amortisation	(22,220)	(26,153)	(518,889)	(567,262)	–	(567,262)
<b>Net book amount</b>	<b>29,806</b>	<b>37,189</b>	<b>1,305,254</b>	<b>1,372,249</b>	<b>3,314,901</b>	<b>4,687,150</b>
<b>Six months ended 30 June 2023 (Unaudited)</b>						
Opening net book amount	29,806	37,189	1,305,254	1,372,249	3,314,901	4,687,150
Additions	530	–	–	530	–	530
Disposals	(1,413)	–	–	(1,413)	–	(1,413)
Amortisation charges	(2,571)	(1,685)	(99,223)	(103,479)	–	(103,479)
<b>Closing net book amount</b>	<b>26,352</b>	<b>35,504</b>	<b>1,206,031</b>	<b>1,267,887</b>	<b>3,314,901</b>	<b>4,582,788</b>
<b>As at 30 June 2023 (Unaudited)</b>						
Cost	50,050	63,342	1,824,143	1,937,535	3,314,901	5,252,436
Accumulated amortisation	(23,698)	(27,838)	(618,112)	(669,648)	–	(669,648)
<b>Net book amount</b>	<b>26,352</b>	<b>35,504</b>	<b>1,206,031</b>	<b>1,267,887</b>	<b>3,314,901</b>	<b>4,582,788</b>

	Computer software <i>RMB'000</i>	Trademarks <i>RMB'000</i>	Customer relationship and backlogs <i>RMB'000</i>	Subtotal <i>RMB'000</i>	Goodwill <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2022</b>						
Cost	49,694	63,342	1,592,110	1,705,146	3,123,231	4,828,377
Accumulated amortisation	(17,657)	(20,984)	(315,844)	(354,485)	–	(354,485)
Net book amount	<u>32,037</u>	<u>42,358</u>	<u>1,276,266</u>	<u>1,350,661</u>	<u>3,123,231</u>	<u>4,473,892</u>
<b>Six months ended 30 June 2022 (Unaudited)</b>						
Opening net book amount	32,037	42,358	1,276,266	1,350,661	3,123,231	4,473,892
Additions	50	–	–	50	–	50
Disposals	(32)	–	–	(32)	–	(32)
Acquisition of subsidiaries	–	–	232,033	232,033	191,670	423,703
Amortisation charges	(2,743)	(3,485)	(101,363)	(107,591)	–	(107,591)
Closing net book amount	<u>29,312</u>	<u>38,873</u>	<u>1,406,936</u>	<u>1,475,121</u>	<u>3,314,901</u>	<u>4,790,022</u>
<b>As at 30 June 2022 (Unaudited)</b>						
Cost	48,348	63,342	1,824,143	1,935,833	3,314,901	5,250,734
Accumulated amortisation	(19,036)	(24,469)	(417,207)	(460,712)	–	(460,712)
Net book amount	<u>29,312</u>	<u>38,873</u>	<u>1,406,936</u>	<u>1,475,121</u>	<u>3,314,901</u>	<u>4,790,022</u>

As the result of management assessment, no impairment provision on goodwill was recognised as at 30 June 2023 (31 December 2022: nil).

## 12. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
Trade receivables ( <i>note (i)</i> )		
– Related parties	3,472,909	3,424,242
– Third parties	4,144,611	3,505,099
	<u>7,617,520</u>	<u>6,929,341</u>
Less: allowance for impairment of trade receivables	(819,233)	(776,135)
	<u>6,798,287</u>	<u>6,153,206</u>
Other receivables		
– Related parties	863,085	896,161
– Third parties	2,000,017	2,989,207
	<u>2,863,102</u>	<u>3,885,368</u>
Less: allowance for impairment of other receivables	(66,535)	(65,703)
	<u>2,796,567</u>	<u>3,819,665</u>
Prepayments		
– Related parties	840,056	300,125
– Third parties	393,663	442,615
	<u>1,233,719</u>	<u>742,740</u>
Subtotal	10,828,573	10,715,611
Less: non-current portion of prepayments	(893,044)	(362,280)
	<u>9,935,529</u>	<u>10,353,331</u>

### Notes:

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

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

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macroeconomic data.

As at 30 June 2023 and 31 December 2022, the aging analysis of the trade receivables based on invoice date were as follows:

	As at 30 June 2023 <i>RMB'000</i> (Unaudited)	As at 31 December 2022 <i>RMB'000</i> (Audited)
<b>Trade receivables</b>		
Up to 1 year	6,144,671	5,578,486
1 to 2 years	875,630	855,678
2 to 3 years	277,300	247,669
Over 3 years	319,919	247,508
	<u>7,617,520</u>	<u>6,929,341</u>

- (ii) Trade receivables of RMB54,480,000 (31 December 2022: RMB10,000,000) were pledged as collateral for a subsidiary's borrowings. The associated secured borrowings amounted to RMB4,028,000 (31 December 2022: RMB7,092,000).
- (iii) As at 30 June 2023 and 31 December 2022, trade and other receivables were denominated in RMB and the fair values of trade and other receivables approximated their carrying amounts.

### 13. SHARE CAPITAL

	Number of shares		Share Capital	
	30 June 2023	31 December 2022	30 June 2023 <i>RMB'000</i> (Unaudited)	31 December 2022 <i>RMB'000</i> (Audited)
Issued and fully paid	<u>1,420,000,800</u>	<u>1,420,000,800</u>	<u>1,420,001</u>	<u>1,420,001</u>

## 14. OTHER RESERVES

	Share premium <i>RMB'000</i>	Statutory reserve <i>RMB'000</i>	Others <i>RMB'000</i>	Total <i>RMB'000</i>
<b>As at 1 January 2023</b>	<b>5,251,083</b>	<b>384,103</b>	<b>52,402</b>	<b>5,687,588</b>
Appropriation of statutory reserves <i>(note (i))</i>	–	<b>17,033</b>	–	<b>17,033</b>
Other transaction with NCI <i>(note (ii))</i>	<b>(77,649)</b>	–	–	<b>(77,649)</b>
<b>As at 30 June 2023 (Unaudited)</b>	<b><u>5,173,434</u></b>	<b><u>401,136</u></b>	<b><u>52,402</u></b>	<b><u>5,626,972</u></b>
As at 1 January 2022	5,270,220	327,152	17,387	5,614,759
Revaluation – gross	–	–	(1,871)	(1,871)
Deferred tax	–	–	468	468
Other comprehensive income	–	–	(1,403)	(1,403)
Appropriation of statutory reserves <i>(note (i))</i>	–	22,002	–	22,002
<b>As at 30 June 2022 (Unaudited)</b>	<b><u>5,270,220</u></b>	<b><u>349,154</u></b>	<b><u>15,984</u></b>	<b><u>5,635,358</u></b>

### (i) PRC statutory reserves

In accordance with relevant rules and regulations in the PRC, except for sino-foreign equity joint venture enterprises, all PRC companies are required to transfer 10% of their profit after taxation calculated under PRC accounting rules and regulations to the statutory reserve fund, until the accumulated total of the fund reaches 50% of their registered capital. The statutory reserve fund can only be used, upon approval by the relevant authority, to offset losses carried forward from previous years or to increase capital of the respective companies.

### (ii) Other transaction with NCI

During the six months ended 30 June 2023, the Group acquired additional equity interests of certain subsidiaries from the NCI at an aggregate consideration of RMB148,105,000. The difference of RMB77,612,000 between the carrying value of the non-controlling interests and the consideration paid was recorded as other reserve.

During the six months ended 30 June 2023, the Group disposed equity interests of certain subsidiaries from NCI at an aggregate consideration of RMB2,450,000. The difference of RMB37,000 between the carrying value of the non-controlling interests and the consideration paid was recorded as other reserve.

## 15. TRADE AND OTHER PAYABLES

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Trade payables ( <i>note</i> )		
– Related parties	76,411	76,942
– Third parties	2,522,449	2,588,139
	<u>2,598,860</u>	<u>2,665,081</u>
Other payables		
– Related parties	141,448	252,927
– Third parties	2,217,372	1,820,781
	<u>2,358,820</u>	<u>2,073,708</u>
Dividends payables	89,835	117,126
Accrued payroll	1,029,110	1,010,843
Other taxes payables	154,556	162,042
Total trade and other payables	6,231,181	6,028,800
Less: non-current portion of other payables	(82)	(6,672)
Current portion of trade and other payables	<u>6,231,099</u>	<u>6,022,128</u>

*Note:* As at 30 June 2023 and 31 December 2022, the aging analysis of the trade payables (including amounts due to related parties in trade nature) based on invoice date were as follows:

	As at 30 June 2023 RMB'000 (Unaudited)	As at 31 December 2022 RMB'000 (Audited)
Up to 1 year	2,364,869	2,492,235
1 to 2 years	179,276	120,633
2 to 3 years	34,009	29,424
Over 3 years	20,706	22,789
	<u>2,598,860</u>	<u>2,665,081</u>

As at 30 June 2023 and 31 December 2022, trade and other payables were all denominated in RMB and the fair values of trade and other payables approximated their carrying amounts.

## 16. DIVIDENDS

On 28 August 2023, the board of directors has resolved to declare an interim dividend of RMB0.025 per share (2022: nil), which is payable to shareholders whose names appear on the Company's register of members on 19 December 2023, and the amount of which will be subject to the approval of the shareholders at the forthcoming extraordinary general meeting of the Company. This interim dividend, amounting to RMB35,500,000 (2022: nil), has not been recognised as a liability in the interim condensed consolidated financial statements. It will be recognised in equity in the year ending 31 December 2023.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

In the first half of 2023, the domestic macro-economy gradually recovered. However, amid the global economic downturn, the foundation for economic recovery was not yet stable, and property sales remained sluggish. The property management industry continued to face various risks and challenges. The Group focused on the opportunities arising from the economic recovery, while adhering to its market-oriented strategy and maintaining its market-leading expansion capability. It consistently prioritised service quality and consolidated professional service capabilities in an effort to enhance its overall development quality. The Group further explored the business of value-added services, refined the quality of its products and services, and expanded the scope of services. During the Period, the Group came second in the “2023 Top 100 Property Management Companies in China”, ranking top in the industry.

During the Period, revenue of the Group amounted to RMB7,698.5 million, representing an increase of 1.0% from RMB7,619.9 million in the corresponding period of 2022. Profit attributable to shareholders of the Company was RMB839.0 million, representing a decrease of 20.7% from RMB1,057.9 million in the corresponding period of 2022. As at 30 June 2023, the GFA under management and contracted GFA of the Group reached 575.4 million sq.m. and 762.1 million sq.m., respectively.

### FINANCIAL REVIEW

#### Revenue

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

For the six months ended 30 June 2023, the Group’s revenue amounted to RMB7,698.5 million (the corresponding period of 2022: RMB7,619.9 million), representing an increase of 1.0% as compared with the corresponding period of last year. Among which, revenue from property management services, property owners value-added services and city services businesses of the Group totalled RMB7,108.4 million, representing a year-on-year increase of 7.2% and accounting for 92.3% of the Group’s total revenue.

	For the six months ended 30 June				
	2023 (RMB million)	Percentage of revenue %	2022 (RMB million)	Percentage of revenue %	Growth rate %
Property management	5,267.3	68.4%	4,904.1	64.4%	7.4%
– Residential property projects	2,172.2	28.2%	2,063.9	27.1%	5.2%
– Non-residential property projects	3,095.1	40.2%	2,840.2	37.3%	9.0%
Property owners value-added services	1,167.2	15.2%	1,084.1	14.2%	7.7%
City services	673.9	8.7%	641.7	8.4%	5.0%
Subtotal:	7,108.4	92.3%	6,629.9	87.0%	7.2%
Extended value-added services	590.1	7.7%	990.0	13.0%	-40.4%
– Sales centre property management services	226.4	3.0%	381.7	5.0%	-40.7%
– Other extended value-added services	363.7	4.7%	608.3	8.0%	-40.2%
Total	7,698.5	100.0%	7,619.9	100.0%	1.0%

### ***Property management services***

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

During the Period, revenue from property management services amounted to RMB5,267.3 million (the corresponding period of 2022: RMB4,904.1 million), representing an increase of 7.4% as compared with the corresponding period of last year. Among which, revenue from residential property projects amounted to RMB2,172.2 million (the corresponding period of 2022: RMB2,063.9 million), representing an increase of 5.2% as compared with the corresponding period of last year. Revenue from non-residential property projects amounted to RMB3,095.1 million (the corresponding period of 2022: RMB2,840.2 million), representing an increase of 9.0% as compared with the corresponding period of last year.

### ***The breakdown of the Group's total GFA under management***

As at 30 June 2023, the Group's total GFA under management was 575.4 million sq.m., representing an increase of 29.6 million sq.m. or a growth rate of 5.4% as compared with 545.8 million sq.m. as at 31 December 2022. Among which, the GFA under management from third-party projects was approximately 479.5 million sq.m., accounting for more than 83.3% of the total GFA under management, and third-party projects accounted for the majority of the Group's GFA under management. The GFA under management from Agile Group Holdings Limited (雅居樂集團控股有限公司) and its subsidiaries (collectively, "Agile Group") and Greenland Holdings Group Company Limited (綠地控股集團股份有限公司) ("Greenland Holdings") was approximately 95.9 million sq.m.. During the Period, the newly increased GFA under management converted from third-party projects was approximately 26.6 million sq.m..

### ***The project portfolio for GFA under management***

The Group has established a diversified and balanced business portfolio layout, capitalising on its first-mover advantages in niche markets such as residential property, public buildings and commercial and office buildings, etc. As at 30 June 2023, residential projects accounted for 42.7% (as at 31 December 2022, 43.6%) of the Group's GFA under management in terms of business portfolio, and non-residential projects accounted for 57.3% (as at 31 December 2022, 56.4%) (public buildings: 45.5%; commercial buildings and others: 11.8%).

### ***The geographic coverage for GFA under management***

As at 30 June 2023, the number of Group's projects under management reached 4,625, covering 31 provinces, municipalities and autonomous regions and 222 cities nationwide.

By region, 33.9% of the Group's GFA under management was located in the Yangtze River Delta region, 18.8% in the Guangdong-Hong Kong-Macao Greater Bay Area, 9.2% in the Shandong Peninsula city cluster, 8.7% in the Chengdu-Chongqing city cluster, while the remaining spread across other regions in the PRC.

### ***The charging mode***

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

### ***The breakdown of the Group's total contracted GFA***

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

As at 30 June 2023, the contracted GFA reached 762.1 million sq.m.. Among which, the contracted GFA from third-party projects was approximately 614.3 million sq.m., accounting for more than 80.6% of the total contracted GFA. The contracted GFA from Agile Group and Greenland Holdings was approximately 147.8 million sq.m.. During the Period, the newly increased contracted GFA obtained by the Group through market expansion was over 30.0 million sq.m..

### ***Property owners value-added services***

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

During the Period, revenue from property owners value-added services amounted to RMB1,167.2 million, representing an increase of 7.7% as compared with RMB1,084.1 million in the corresponding period of 2022, and accounting for approximately 15.2% of the total revenue. The growth in property owners value-added services was mainly due to the growth in revenue from living and comprehensive services and value-added services to institutions and enterprises, as the Group capitalised on the opportunities arising from the post-pandemic demand by further developing its living services and fully promoting its group catering business.

Living and comprehensive services include property maintenance, housekeeping services, courtyard gardening, community group buying, express delivery, tourism, community second-hand leasing and sales services, comprehensive consulting services, etc. During the Period, the Group focused on strengthening its in-depth operational capabilities in housekeeping and cleaning, maintenance, tourism, etc. the monthly top-up amount of its housekeeping service brand, “51 HOME SERVICE” (51家庭管家), consistently reached record highs, resulting in a year-on-year growth in total top-up amount in the first half of the year. In the retail business, the Group continued to discover more good products a variety of featured products, such as festival gifts and wine, and launched the “Local Specialities Pavilion” to delve deeper into local high-quality products and enhance the stickiness of property owners. In addition, the Group entered into the intelligent energy-saving transformation business by establishing a joint venture to build up its capabilities in comprehensive energy management. During the Period, revenue from living and comprehensive services amounted to approximately RMB574.5 million, representing an increase of 37.3% as compared with RMB418.4 million in the corresponding period of 2022, and accounting for approximately 49.2% of revenue from property owners value-added services. The increase of revenue from living and comprehensive services was primarily due to increasing demands of value-added services in communities after the pandemic, a significant year-on-year increase of housekeeping, retail services, etc., and the growth brought by new businesses.

Home improvement services primarily include decoration, turnkey furnishing and community renewal services, etc. During the Period, revenue from home improvement services amounted to approximately RMB95.9 million, representing a decrease of 48.6% as compared with RMB186.6 million in the corresponding period of 2022 and accounting for approximately 8.2% of revenue from property owners value-added services. The decline was mainly due to the downturn in the real estate industry and the decrease in the delivery of new houses, resulting in a weak demand for home decoration and a decline in business scale.

Community space and other services primarily include club house operation services, property operation services, community-based advertising operation, parking lot management services and community asset operation, etc. During the Period, revenue from community space and other services amounted to approximately RMB296.0 million, representing an decrease of 1.6% as compared with RMB300.8 million in the corresponding period of 2022, and accounting for approximately 25.4% of revenue from property owners value-added services.

Value-added services to institutions and enterprises include featured value-added services for public buildings, such as catering, commuting services and material procurement services, as well as featured value-added services for commercial and office buildings, such as customized services for enterprises, conferencing services, centralised procurement and retailing for enterprises, etc. During the Period, the Group set up a group meal company “Lemeishan” (樂美膳) and equipped itself with the necessary expansion capabilities to enter the market. Revenue from value-added services to institutions and enterprises amounted to approximately RMB200.8 million, representing an increase of 12.6% as compared with RMB178.3 million in the corresponding

period of 2022, and accounting for approximately 17.2% of revenue from property owners value-added services. The increase of revenue from value-added services to institutions and enterprises was mainly due to new business of group catering with market-oriented development and a year-on-year increase of demands of other value-added services after the pandemic.

### ***City services***

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

The Group's city services business segment focuses on the exploration of comprehensive services including urban space management, urban resource operation, community coordination and governance, and construction of smart city service system, aiming to build a comprehensive city service system covering developed cities, emerging urban and townships, thus establishing a leading all-scenario smart city service platform. During the Period, the Group seized the opportunities arising from the concentrated recovery of market expansion after the pandemic, made efforts in market expansion, and actively ventured into untapped markets. Notably, the Group won the bid for the city steward service project in Yuanshan Street, Longgang District, Shenzhen City, with an annualised contract value exceeding RMB100 million. The Group also obtained large-scale comprehensive city services projects, including the city services project for properties in Nanlang Street, Cuiheng New District, Zhongshan City, and the urban-rural waste integration project in Mengcun Hui Autonomous County, Cangzhou City, Hebei Province. According to Huanjing Sinan (環境司南), the Group ranked among the Top 10 in the industry both in terms of contract value and annualised contract value of city service projects obtained through market expansion in the first half of the year.

During the Period, revenue from city services reached RMB673.9 million, representing an increase of 5.0% as compared with RMB641.7 million in the corresponding period of 2022, and accounting for approximately 8.7% of the total revenue.

### ***Extended value-added services***

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

During the Period, the Group recorded revenue from extended value-added services of RMB590.1 million (the corresponding period of 2022: RMB990.0 million), representing a decrease of 40.4% from last year, and accounting for approximately 7.7% of the total revenue. The revenue from extended value-added services includes:

- (1) Sales centre property management services (accounting for 38.4% of the revenue from the extended value-added services): the revenue for the Period amounted to RMB226.4 million, representing a decrease of 40.7% as compared with RMB381.7 million in the corresponding period of 2022. The decrease of revenue from sales centre property management services was primarily due to the decrease in demand for sales centre services as a result of the continuous decline in home sales and limited incremental supply in real estate market.

- (2) Other extended value-added services (accounting for 61.6% of the revenue from the extended value-added services): include property agency services and housing inspection services, etc. The revenue for the Period amounted to RMB363.7 million, representing a decrease of 40.2% as compared with RMB608.3 million in the corresponding period of 2022, mainly due to the decrease in demand for related services as a result of the limited new home deliveries from developers and the sluggish sales of new properties.

### Cost of sales

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

During the Period, the Group's cost of sales was RMB6,125.0 million (the corresponding period of 2022: RMB5,567.2 million), representing a year-on-year increase of 10.0%. The increase was primarily due to the increase in labour costs as a result of service quality enhancement, and the increase in various inputs from the active expansion in business layout along the industry chain as well as market-oriented development. Overall, the Group's growth of the cost of sales was higher than that of revenue, primarily because of the change in revenue structure and the decrease in the proportion of business with higher gross profit margin.

### Gross profit and gross profit margin

	2023		2022		Growth rate %
	Gross profit (RMB million)	Gross profit margin %	Gross profit (RMB million)	Gross profit margin %	
Property management services	993.1	18.9%	1,044.6	21.3%	-4.9%
Property owners value-added services	321.8	27.6%	522.8	48.2%	-38.4%
City services	142.2	21.1%	129.7	20.2%	9.6%
Subtotal:	1,457.1	20.5%	1,697.1	25.6%	-14.1%
Extended value-added services	116.5	19.7%	355.5	35.9%	-67.2%
Total	<u>1,573.6</u>	<u>20.4%</u>	<u>2,052.6</u>	<u>26.9%</u>	<u>-23.3%</u>

During the Period, the Group's gross profit amounted to RMB1,573.6 million, representing an decrease of 23.3% as compared with RMB2,052.6 million in the corresponding period of 2022. Gross profit margin decreased by 6.5 percentage points to 20.4% from 26.9% in the corresponding period of 2022.

Excluding the impact from extended value-added service businesses, the total gross profit of property management services, property owners value-added services and city services was RMB1,457.1 million, representing a year-on-year decrease of 14.1% as compared with RMB1,697.1 million in the corresponding period of 2022. The gross profit from these three businesses increased to 92.6% of the Group's total gross profit from 82.7% in the corresponding period of 2022.

- The gross profit margin of property management services was 18.9% (the corresponding period of 2022: 21.3%), representing an decrease of 2.4 percentage point as compared with that of the corresponding period of 2022, which was mainly due to (1) the increase in scale driven by third-party expansion and the higher proportion of public buildings projects; (2) the increase in the input and labour costs to improve the service quality of property projects under management. Excluding the effect of amortization of intangible assets due to the merger and acquisition, the gross profit was RMB1,070.0 million and the gross profit margin was 20.3%.
- The gross profit margin of property owners value-added services was 27.6% (the corresponding period of 2022: 48.2%), representing an decrease of 20.6 percentage points as compared with that of the corresponding period of 2022, which was mainly due to (1) the impact of the downturn of the real estate industry to the development of some businesses; (2) the increase in input to improve industrial chain layout.
- The gross profit margin of city services was 21.1% (the corresponding period of 2022: 20.2%), representing an increase of 0.9 percentage point as compared with that of the corresponding period of 2022, which was mainly due to (1) the effect of economies of scale; (2) refined project management.
- The gross profit margin of extended value-added services was 19.7% (the corresponding period of 2022: 35.9%), representing an decrease of 16.2 percentage points as compared with that of the corresponding period of 2022, which was mainly due to the decrease in demands and business scale due to the downturn of the real estate industry as well as relative high costs.

### **Selling and marketing expenses**

During the Period, the Group's selling and marketing expenses amounted to RMB52.7 million (the corresponding period of 2022: RMB29.4 million), accounting for 0.7% of the revenue, representing an increase of 0.3 percentage point as compared with that of the corresponding period of last year, which was mainly due to the increase in expenses and related incentives as a result of the increase in market expansion activities after the pandemic.

### **Administrative expenses**

During the Period, the Group's administrative expenses amounted to RMB383.2 million, representing an decrease of 3.9% as compared with RMB398.7 million in the corresponding period of 2022, and accounting for 5.0% of the revenue, representing an decrease of 0.2 percentage point as compared with that of the corresponding period of 2022.

### **Other income**

During the Period, other income of the Group amounted to RMB99.8 million (the corresponding period of 2022: RMB86.9 million), representing an increase of 14.8% as compared with that of the corresponding period of last year, which was mainly due to the increase in interest income.

## Income tax

During the Period, the Group's income tax expense was RMB253.6 million (the corresponding period of 2022: RMB307.8 million). The income tax rate was 21.0% (the corresponding period of 2022: 21.1%). The income tax rate for the Period decreased 0.1 percentage points year on year, which remained stable.

## Profit

During the Period, the Group's net profit was RMB951.5 million, representing an decrease of 17.2% as compared with RMB1,149.5 million in the corresponding period of 2022, which was mainly attributable to the adjustment of business structure, the year-on-year decrease in revenue and profit of extended value-added services, the increase in the proportion of non-cyclical business and the increase in related costs. Net profit margin was 12.4%, representing an decrease of 2.7 percentage points as compared with 15.1% in the corresponding period of 2022. Excluding the effect of the amortization of intangible assets and depreciation of appraisal appreciation of fixed assets due to the merger and acquisition, the net profit margin was 13.4%. Profit attributable to the Shareholders of the Company for the Period was RMB839.0 million, representing an decrease of 20.7% as compared with RMB1,057.9 million in the corresponding period of last year. Basic earnings per share was RMB0.59, representing an decrease of 21.3% as compared with the corresponding period of last year.

	For the six months ended 30 June				
	2023		2022		
	Net profit	Net profit	Net profit	Net profit	Growth
	(RMB million)	margin	(RMB million)	margin	rate
		%		%	%
Property management services	535.9	10.2%	550.8	11.2%	-2.7%
Property owners value-added services	219.7	18.8%	317.9	29.3%	-30.9%
City services	83.7	12.4%	85.7	13.4%	-2.3%
Subtotal:	839.3	11.8%	954.4	14.4%	-12.1%
Extended value-added services	112.2	19.0%	195.1	19.7%	-42.5%
Total	951.5	12.4%	1,149.5	15.1%	-17.2%

Excluding the impact from extended value-added service businesses, net profit from property management services, property owners value-added services and city services was RMB839.3 million, representing a year-on-year decrease of 12.1% as compared with RMB954.4 million in the corresponding period of 2022. The net profit from these three businesses increased to 88.2% of the Group's total net profit from 83.0% in the corresponding period of 2022. The corresponding net profit margin was 11.8%, representing a year-on-year decrease of 2.6 percentage points.

- The net profit margin for property management services was 10.2% (the corresponding period of 2022: 11.2%), representing an decrease of 1.0 percentage points as compared with that of the corresponding period of 2022.

- The net profit margin for property owners value-added services was 18.8% (the corresponding period of 2022: 29.3%), representing an decrease of 10.5 percentage points as compared with that of the corresponding period of 2022.
- The net profit margin for city services was 12.4% (the corresponding period of 2022: 13.4%), representing an decrease of 1.0 percentage points as compared with that of the corresponding period of 2022.
- The net profit margin for extended value-added services was 19.0% (the corresponding period of 2022: 19.7%), representing an decrease of 0.7 percentage points as compared with that of the corresponding period of 2022.

### **Current assets, reserve and capital structure**

During the Period, the Group maintained a sound financial position. As at 30 June 2023, current assets amounted to RMB15,788.5 million, representing an increase of 3.2% from RMB15,300.9 million as at 31 December 2022. As at 30 June 2023, cash and cash equivalents of the Group amounted to RMB3,759.7 million, representing an decrease of 1.0% as compared with RMB3,799.3 million as at 31 December 2022. As at 30 June 2023, the Group's cash and cash equivalents were held in Renminbi, Hong Kong dollars and United States dollars.

As at 30 June 2023, the Group's total equity was RMB14,851.5 million, representing an increase of RMB726.9 million or 5.1% as compared with RMB14,124.6 million as at 31 December 2022, which was primarily due to the contributions from the realised profits in the Period.

### **Property, plant and equipment**

The Group's property, plant and equipment mainly comprise buildings, office equipment, machinery equipment and other fixed assets. As at 30 June 2023, the net value of the Group's property, plant and equipment amounted to RMB579.5 million, representing an decrease of 3.8% as compared with RMB602.5 million as at 31 December 2022.

### **Other intangible assets**

As at 30 June 2023, the book value of other intangible assets of the Group was RMB1,267.9 million, representing an decrease of 7.6% as compared with RMB1,372.2 million as at 31 December 2022. Intangible assets of the Group mainly included (i) RMB63.3 million from the trademark value of acquired companies; (ii) RMB1,824.1 million generated from customer relationship and backlogs attributable to acquired companies; (iii) the software developed and purchased by the Group; and (iv) partially offset by amortization of trademarks, customer relationships and software. Trademarks, customer relationship and software had a specific validity period and were carried at cost less accumulated amortization.

## **Goodwill**

As at 30 June 2023, the Group recorded goodwill of RMB3,314.9 million. The goodwill was primarily derived from the expected future business developments of the acquired companies, expansion of market coverage, diversification of service portfolio, integration of value-added services and improvement of management efficiency.

There was no significant goodwill impairment risk as at 30 June 2023.

## **Financial assets at fair value through profit or loss (“FVPL”)**

As at 30 June 2023, the Group’s financial assets at FVPL amounted to RMB2,003.1 million, representing an increase of 91.4% as compared with RMB1,046.8 million as at 31 December 2022, which was mainly due to the Group’s purchase of several financial assets to increase the return on its fund.

## **Trade and other receivables and prepayments**

As at 30 June 2023, trade and other receivables and prepayments (including current and non-current portions) amounted to RMB10,828.6 million, representing an increase of 1.1% from RMB10,715.6 million as at 31 December 2022. Among which, trade receivables amounted to RMB7,617.5 million, representing an increase of 9.9% as compared with RMB6,929.3 million as at 31 December 2022, which was mainly due to the slowdown in the overall collection of receivables as a result of the downward market environment. Other receivables amounted to RMB2,863.1 million, representing an decrease of 26.3% from RMB3,885.4 million as at 31 December 2022, which was mainly due to the recovery of receivables from third parties.

## **Trade and other payables**

As at 30 June 2023, trade and other payables (including current and non-current portions) amounted to RMB6,231.2 million, representing an increase of 3.4% as compared with RMB6,028.8 million as at 31 December 2022, which was primarily attributable to an increase in the cost of materials procurement, labor outsourcing and energy consumption resulting from the business expansion of the Group.

## **Borrowings**

As at 30 June 2023, the Group had long-term borrowings of RMB97.9 million, among which RMB26.3 million will be repayable within one year. The Group also had short-term borrowings of RMB49.8 million with maturities of less than one year.

## **Gearing ratio**

The gearing ratio is calculated as total borrowings divided by total equity, which is the sum of long-term and short-term interest-bearing bank loans and other loans as at the corresponding date divided by the total equity as at the same date. As at 30 June 2023, the gearing ratio was 1.0%.

## **Current and deferred income tax liabilities**

As at 30 June 2023, the current income tax liabilities of the Group amounted to RMB435.5 million, representing an decrease of 22.4% as compared with RMB561.4 million as at 31 December 2022, which was mainly because of the settlement of the enterprise income tax payable for 2022 during the Period. Deferred income tax liabilities increased to RMB337.0 million from RMB325.5 million as at 31 December 2022.

## **Pledge of assets**

As at 30 June 2023, the long-term bank loans and other borrowings amounting to RMB26.1 million and the short-term bank loans to RMB4.0 million were secured by certain property, plant and equipment and trade receivables of the Group. Details of the Group's pledge of assets as at 30 June 2023 are set out in note 9 and note 12 to the interim financial information contained in this announcement.

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

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

## **Contingent liabilities**

As at 30 June 2023, the Group had no significant contingent liabilities.

## **Key risk factors and uncertainties**

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

### ***Industry risk***

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

### ***Business risk***

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

### ***Foreign exchange risk***

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

### **Employees and remuneration policies**

As at 30 June 2023, the Group had 95,733 employees (as at 31 December 2022: 95,102). During the Period, total staff costs amounted to RMB3,060.0 million.

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

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

### **SIGNIFICANT EVENTS AFTER REPORTING PERIOD**

As at the date of this announcement, the Group did not have any significant event subsequent to 30 June 2023.

## INTERIM DIVIDEND

The Board proposed the distribution of an interim dividend of RMB0.025 per share (before tax) for the six months ended 30 June 2023 (“**Interim Dividend**”). The dividend payout ratio will be equivalent to approximately 4.2%, and the amount of which will be subject to the approval of the Shareholders at the forthcoming extraordinary general meeting of the Company (the “**EGM**”). Interim Dividend payable to the shareholders of domestic shares of the Company will be paid in Renminbi, whereas Interim Dividend payable to the shareholders of H Shares will be declared in Renminbi and paid in Hong Kong dollars (except for the holders of H Shares who became Shareholders through the Inter-connected Mechanism for Trading on the Shanghai and Hong Kong Stock Markets and the Inter-connected Mechanism for Trading on the Shenzhen and Hong Kong Stock Markets, whose Interim Dividend will be paid in Renminbi), the exchange rate of which will be calculated based on the average exchange rate of RMB against Hong Kong dollars published by The People’s Bank of China five business days prior to the EGM. Subject to the approval of the EGM, the Interim Dividend will be paid on or about Thursday, 18 January 2024.

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

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

### **Interim Dividend for Investors of Southbound Trading**

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

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

- (i) for Mainland individual investors, H share companies shall withhold the individual income tax for these investors at the tax rate of 20% on dividends and bonuses received by them from investing in H Shares listed on the Hong Kong Stock Exchange via Southbound Trading;
- (ii) for dividends and bonuses received by Mainland securities investment funds from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the individual income tax shall be levied in accordance with the above provisions; and
- (iii) for dividends and bonuses received by Mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange via Southbound Trading, the income tax on the Mainland enterprises shall not be withheld by the H share companies. The tax payable shall be declared and paid by the enterprises.

For dividends and bonuses received by the Mainland resident enterprises after holding the H shares for 12 months continuously, the enterprise income tax will be exempted according to laws.

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

## **CLOSURE OF REGISTER OF MEMBERS FOR THE ENTITLEMENT OF INTERIM DIVIDEND**

Upon obtaining approval of the Shareholders at the EGM, the Interim Dividend will be payable to the Shareholders whose names appear on the register of members of the Company as at the close of business on Tuesday, 19 December 2023. For the purpose of determining the entitlement of shareholders of H Shares to the Interim Dividend, the H Share register of members of the Company will be closed from Thursday, 14 December 2023 to Tuesday, 19 December 2023, both days inclusive, during which period no transfer of H Shares will be registered. In order for shareholders of H Shares to qualify for the proposed Interim Dividend, all properly completed share transfer forms together with the relevant share certificates must be lodged with the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration no later than 4:30 p.m. on Wednesday, 13 December 2023.

## **DESPATCH OF CIRCULAR**

Pursuant to the articles of association of the Company, the proposed declaration of Interim Dividend is subject to the approval of the Shareholders at the EGM. A circular containing information in relation to the proposed declaration of Interim Dividend, together with the notice of EGM and a form of proxy, will be despatched to the Shareholders on or before 30 November 2023 as additional time is required to prepare and finalise the circular.

## **REVIEW OF INTERIM RESULTS**

The audit committee of the Company (the "**Audit Committee**") has reviewed the financial statements of the Group for the six months ended 30 June 2023. The review included discussions with management of the accounting principles and practices adopted by the Group, internal controls and financial reporting matters, and the significant judgments made by management.

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

The unaudited interim financial information have been approved and authorised for issue by the Board on 28 August 2023.

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

The Company has adopted a code for securities transactions by Directors and a code for securities transactions by supervisors of the Company (the “**Supervisors**”) as its own codes of conduct governing Directors’ and Supervisors’ dealings in the Company’s securities (the “**Securities Dealing Codes**”) on terms no less exacting than the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix 10 to the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (the “**Listing Rules**”).

Specific enquiry has been made to all the Directors and Supervisors and they have confirmed that they had complied with the Securities Dealing Codes during the six months ended 30 June 2023.

The Company has also established written guidelines (the “**Employees Written Guidelines**”) on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished inside information of the Company. No incident of non-compliance with the Employees Written Guidelines by the employees was noted by the Company during the six months ended 30 June 2023.

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

The Company has adopted the principles and code provisions as set out in the Corporate Governance Code (the “**CG Code**”) contained in Part 2 of Appendix 14 to the Listing Rules.

The Board reviewed the Company’s corporate governance practices and is satisfied that the Company has been in full compliance with all the applicable code provisions set out in the CG Code during the six months ended 30 June 2023.

## **PURCHASE, SALE OR REDEMPTION OF THE COMPANY’S LISTED SECURITIES**

During the six months ended 30 June 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION OF INTERIM RESULTS AND INTERIM REPORT ON THE WEBSITES OF THE COMPANY AND THE HONG KONG STOCK EXCHANGE**

This announcement is published on the respective websites of the Company at [www.agileliving.com.cn](http://www.agileliving.com.cn) and the Hong Kong Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk). The interim report of the Company for the six months ended 30 June 2023 containing all the information required under the Listing Rules will be despatched to the shareholders of the Company and made available on the above websites in due course.

## BOARD OF DIRECTORS

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

<sup>^</sup> Executive Directors  
<sup>^^</sup> Non-executive Director  
<sup>^^^</sup> Independent Non-executive Directors

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

Hong Kong, 28 August 2023

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

*\* for identification purposes only*