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## **Greentown Service Group Co. Ltd.**

**綠城服務集團有限公司**

*(A company incorporated under the laws of the Cayman Islands with limited liability)*

**(Stock Code: 2869)**

### **ANNOUNCEMENT OF FINAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023**

The board (the “**Board**”) of directors (the “**Directors**”) of Greentown Service Group Co. Ltd. (the “**Company**”) is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the “**Group**”) for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022, as follows.

#### **HIGHLIGHTS**

##### **The Group’s financial performance:**

- Revenue was RMB17,393.3 million. Compared with that for the year of 2022, which was RMB14,856.3 million, the growth rate on year-on-year (“**Y/Y**”) basis reached 17.1%.
- The Group’s revenue comes from four major businesses: (i) property services; (ii) community living services; (iii) consulting services; and (iv) technology services. During the year, (i) revenue from the property services reached RMB11,101.5 million, accounting for 63.8% of the Group’s overall revenue. Compared with RMB9,446.3 million for the year of 2022, there was a Y/Y growth of 17.5%; (ii) revenue from community living services reached RMB3,568.6 million, accounting for 20.5% of the Group’s overall revenue. Compared with RMB2,853.9 million for the year of 2022, there was a Y/Y growth of 25.0%; (iii) revenue from consulting services amounted to RMB2,295.3 million, accounting for 13.2% of the Group’s overall revenue. There was a Y/Y growth of 11.1% compared with RMB2,066.8 million for the year of 2022; and (iv) revenue from technology services amounted to RMB428.0 million, accounting for 2.5% of the Group’s overall revenue, representing a decrease of 12.6% from RMB489.4 million for the year of 2022.

- Gross profit reached RMB2,913.4 million, representing a growth of 21.3% compared with RMB2,402.0 million in 2022. Gross profit margin was 16.8%, which increased by 0.6 percentage points compared with 16.2% for the year of 2022.
- Core operating profit\* was RMB1,296.0 million, representing an increase of 32.1% compared with RMB980.9 million for the year of 2022. The profitability of the core business of the Company continues to improve.
- Profit attributable to equity shareholders of the Company for the year was RMB605.4 million, representing an increase of 10.6% as compared with RMB547.5 million for the year of 2022. Such growth rate was slower than that of core operating profit, mainly due to changes in the market environment, and after prudent consideration, we increased the provision for impairment of financial instruments and other assets, which mainly includes the unrealised losses in relation to the Company's interest in China CVS Holdings Limited and convertible notes issued by China CVS Holdings Limited of a combined total of about RMB154.4 million (for relevant details of the latest update of the Company and China CVS Holdings Limited, please refer to the Company's announcement dated 26 October 2022).
- As at 31 December 2023, cash and cash equivalents of the Group amounted to RMB4,530.8 million, representing an increase of 8.3% compared with RMB4,183.4 million as at 31 December 2022.
- The Board recommended the payment of a final dividend of HK\$0.150 per share for 2023 (2022: HK\$0.100 per share).

\* *Core operating profit = Gross profit – Administrative expenses – Selling and marketing expenses*

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER  
COMPREHENSIVE INCOME**

*for the year ended 31 December 2023  
(Expressed in Renminbi Yuan)*

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Revenue</b>	2(a)	<b>17,393,272</b>	14,856,343
Cost of sales		<u>(14,479,886)</u>	<u>(12,454,390)</u>
<b>Gross profit</b>		<b>2,913,386</b>	2,401,953
Other revenue	3	<b>112,266</b>	157,135
Other net losses	3	<b>(191,320)</b>	(8,302)
Selling and marketing expenses		<b>(342,566)</b>	(266,274)
Administrative expenses		<b>(1,274,846)</b>	(1,154,772)
Expected credit losses on financial instruments		<b>(201,722)</b>	(193,118)
Other operating expenses		<u>(168,201)</u>	<u>(73,762)</u>
<b>Profit from operations</b>		<u><b>846,997</b></u>	<u>862,860</u>
Finance income		<b>76,263</b>	48,267
Finance costs		<u>(78,339)</u>	<u>(85,502)</u>
<b>Net finance costs</b>	4(a)	<u><b>(2,076)</b></u>	<u>(37,235)</u>
Share of profits less losses of associates		<b>145,186</b>	26,458
Share of profits less losses of joint ventures		<b>(113)</b>	2,079
(Loss)/gain on disposal of subsidiaries		<b>(17,768)</b>	10,064
Loss on disposal of associates		<u>–</u>	<u>(285)</u>
<b>Profit before taxation</b>	4	<b>972,226</b>	863,941
Income tax	5	<u>(256,096)</u>	<u>(232,518)</u>
<b>Profit for the year</b>		<u><b>716,130</b></u>	<u>631,423</u>
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>605,374</b>	547,501
Non-controlling interests		<u><b>110,756</b></u>	<u>83,922</u>
<b>Profit for the year</b>		<u><b>716,130</b></u>	<u>631,423</u>

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 RMB'000
<b>Other comprehensive income for the year</b>			
<b>(after tax and reclassification adjustments)</b>			
<i>Item that will not be reclassified to profit or loss:</i>			
Share of other comprehensive income of the investees		<b>26,610</b>	(36,984)
Financial investments at fair value through other comprehensive income (“FVOCI”) — net movement in fair value reserves		<b>(4,395)</b>	(561)
Exchange differences on translation of financial statements of the Company and the Company’s subsidiaries outside the mainland China with non-foreign operation		<b>32,604</b>	186,203
		<b>54,819</b>	148,658
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Exchange differences on translation of financial statements of subsidiaries outside the mainland China with foreign operation		<b>6,494</b>	2,078
<b>Other comprehensive income for the year</b>		<b>61,313</b>	150,736
<b>Total comprehensive income for the year</b>		<b>777,443</b>	782,159
<b>Attributable to:</b>			
Equity shareholders of the Company		<b>666,149</b>	697,275
Non-controlling interests		<b>111,294</b>	84,884
<b>Total comprehensive income for the year</b>		<b>777,443</b>	782,159
<b>Earnings per share</b>			
Basic (RMB)	<i>6</i> <i>6(a)</i>	<b>0.19</b>	0.17
Diluted (RMB)	<i>6(b)</i>	<b>0.19</b>	0.17

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 31 December 2023

(Expressed in Renminbi Yuan)

	Note	2023 RMB'000	2022 RMB'000
<b>Non-current assets</b>			
Investment properties		365,725	528,397
Property, plant and equipment		1,038,845	917,242
Right-of-use assets		934,995	937,618
Intangible assets		592,341	529,028
Goodwill		661,261	657,562
Interest in associates		837,436	659,203
Interest in joint ventures		9,430	28,681
Other financial assets		475,154	1,038,902
Deferred tax assets		519,073	355,640
Trade and other receivables	8	69,078	215,555
Prepayments		93,658	66,546
Time deposits		372,961	78,723
		<u>5,969,957</u>	<u>6,013,097</u>
<b>Current assets</b>			
Other financial assets		1,158,480	882,056
Inventories		673,789	570,217
Trade and other receivables	8	5,044,833	4,610,396
Prepayments		212,079	229,968
Restricted bank balances		491,243	364,577
Time deposits		452	—
Cash and cash equivalents		4,530,836	4,183,381
		<u>12,111,712</u>	<u>10,840,595</u>
<b>Current liabilities</b>			
Bank loans		267,406	124,294
Contract liabilities		2,095,751	1,528,834
Trade and other payables	9	4,871,605	4,733,736
Lease liabilities		287,750	257,762
Current taxation		901,996	684,553
Provisions		133,017	58,295
		<u>8,557,525</u>	<u>7,387,474</u>
<b>Net current assets</b>		<u>3,554,187</u>	<u>3,453,121</u>
<b>Total assets less current liabilities</b>		<u>9,524,144</u>	<u>9,466,218</u>

	<i>Note</i>	<b>2023</b> <b>RMB'000</b>	2022 <i>RMB'000</i>
<b>Non-current liabilities</b>			
Bank loans		<b>23,018</b>	186,638
Trade and other payables	9	<b>1,369</b>	5,000
Lease liabilities		<b>1,129,962</b>	1,257,608
Deferred tax liabilities		<b>97,663</b>	100,514
Provisions		<b>46,928</b>	40,315
		<u><b>1,298,940</b></u>	<u>1,590,075</u>
<b>NET ASSETS</b>		<u><b>8,225,204</b></u>	<u>7,876,143</u>
<b>CAPITAL AND RESERVES</b>			
Share capital		<b>27</b>	28
Reserves		<b>7,405,508</b>	7,120,961
<b>Total equity attributable to equity shareholders of the Company</b>		<b>7,405,535</b>	7,120,989
<b>Non-controlling interests</b>		<b>819,669</b>	755,154
<b>TOTAL EQUITY</b>		<u><b>8,225,204</b></u>	<u>7,876,143</u>

## CONSOLIDATED CASH FLOW STATEMENT

for the year ended 31 December 2023

(Expressed in Renminbi Yuan)

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Operating activities</b>		
Cash generated from operations	1,641,412	896,863
Income tax paid	(205,340)	(201,587)
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<b>Net cash generated from operating activities</b>	<b>1,436,072</b>	695,276
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<b>Investing activities</b>		
Payments for the purchase of investment properties, property, plant and equipment, right-of-use assets and intangible assets	(502,911)	(453,793)
Proceeds from disposal of property, plant and equipment	2,824	3,419
Acquisition of subsidiaries, net of cash acquired	(415)	(3,394)
Disposal of subsidiaries, net of cash disposed	(15,128)	6,208
Payments for purchase of:		
— financial assets classified as fair value through profit or loss (“FVPL”)	(1,141,521)	(1,018,236)
— financial assets classified as FVOCI	–	(7,117)
Proceeds from redemption of:		
— FVPL	1,186,332	1,147,526
— listed debt investments	4,141	27,998
Payment for interests in associates and joint ventures	(42,248)	(28,800)
Proceeds from disposal of interest in associates and joint ventures	–	10,967
Investment income received from other financial assets	63,256	35,806
Dividends received from associates and joint ventures	56,615	4,564
Interest received	68,382	62,645
Placement of time deposits, net	(285,450)	307,000
Payments for loans and advances	(88,754)	(261,665)
Proceeds from repayment of loans and advances	317,347	26,103
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<b>Net cash used in investing activities</b>	<b>(377,530)</b>	(140,769)
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	<b>2023</b>	2022
	<b>RMB'000</b>	<b>RMB'000</b>
<b>Financing activities</b>		
Proceeds from new bank loans and other borrowings	<b>329,151</b>	480,725
Repayment of bank loans	<b>(359,846)</b>	(321,325)
Capital injection from non-controlling interests	<b>13,994</b>	24,449
Proceeds from exercise of share options	–	24,585
Capital element of lease rentals paid	<b>(154,480)</b>	(159,092)
Interest element of lease rentals paid	<b>(69,807)</b>	(58,852)
Payment for acquisition of non-controlling interests	<b>(6,045)</b>	(56,387)
Payment on repurchase of shares	<b>(130,707)</b>	(78,079)
Dividends paid to equity shareholders of the Company	<b>(285,115)</b>	(542,837)
Dividends paid to non-controlling interests	<b>(31,833)</b>	(5,283)
Interest paid	<b>(22,558)</b>	(28,327)
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<b>Net cash used in financing activities</b>	<b>(717,246)</b>	<b>(720,423)</b>
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<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>341,296</b>	<b>(165,916)</b>
<b>Cash and cash equivalents at 1 January</b>	<b>4,183,381</b>	<b>4,306,619</b>
<b>Effect of foreign exchange rate changes</b>	<b>6,159</b>	<b>42,678</b>
	<hr/>	<hr/>
<b>Cash and cash equivalents at 31 December</b>	<b>4,530,836</b>	<b>4,183,381</b>
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## NOTES TO THE FINANCIAL STATEMENTS

*(Expressed in Renminbi Yuan unless otherwise indicated)*

### 1. SIGNIFICANT ACCOUNTING POLICIES

#### (a) Statement of compliance

These financial statements have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“**HKFRSs**”), which collective term includes all applicable individual Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“**HKASs**”) and Interpretations issued by the Hong Kong Institute of Certified Public Accountants (“**HKICPA**”) and the disclosure requirements of the Hong Kong Companies Ordinance. These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Material accounting policies adopted by the Group are disclosed below.

The HKICPA has issued certain amendments to HKFRSs that are first effective or available for early adoption for the current accounting period of the Group. Note 1(c) provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

#### (b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2023 comprise the Company and its subsidiaries (together referred to as the “**Group**”) and the Group’s interest in associates and joint ventures.

The Company was incorporated in the Cayman Islands on 24 November 2014 as an exempted company with limited liability under the Companies Act (as revised) of the Cayman Islands. The Company’s shares were listed on the Main Board on the Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) on 12 July 2016 (the “**Listing**”).

The consolidated financial statements are presented in Renminbi (“**RMB**”), rounded to the nearest thousand, which is the presentation currency. It is prepared on the historical cost basis except for certain financial assets that are stated at their fair value as explained in the accounting policies set out below:

- investments in equity and debt financial instruments measured at fair value
- derivate financial instruments

Items included in the financial statements of each entity in the Group are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the entity (the “**functional currency**”).

RMB is the functional currency for the Company’s subsidiaries established in the mainland China. The functional currency of the Company and the Company’s subsidiaries outside the mainland China (excluding the Company’s subsidiaries in Australia) are Hong Kong dollars. The functional currency of the Company’s subsidiaries in Australia is Australian dollars.

The preparation of financial statements in conformity with HKFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**(c) Changes in accounting policies**

The HKICPA has issued the following new and amended HKFRSs that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- Amendments to HKAS 8, *Accounting policies, changes in accounting estimates and errors: Definition of accounting estimates*
- Amendments to HKAS 1, *Presentation of financial statements and HKFRS Practice Statement 2, Making materiality judgements: Disclosure of accounting policies*
- Amendments to HKAS 12, *Income taxes: Deferred tax related to assets and liabilities arising from a single transaction*
- Amendments to HKAS 12, *Income taxes: International tax reform — Pillar Two model rules*

None of these developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

## 2. REVENUE AND SEGMENT REPORTING

### (a) Revenue

The principal activities of the Group are provision of property services, community living services, consulting services and technology services.

#### (i) Disaggregation of revenue

Disaggregation of revenue by major service line is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue from contracts with customers within the scope of HKFRS 15</b>		
Disaggregated by major service lines		
Property services	11,101,501	9,446,258
Community living services	3,521,880	2,820,751
Consulting services	2,295,256	2,066,796
Technology services	427,954	489,390
	<u>17,346,591</u>	<u>14,823,195</u>
<b>Revenue from other sources</b>		
Gross rentals from investment properties		
— Community living services	<u>46,681</u>	<u>33,148</u>
	<u>17,393,272</u>	<u>14,856,343</u>

Disaggregation of revenue from contracts with customers within the scope of HKFRS 15 by timing of revenue recognition is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Revenue recognised over time:</b>		
<b>Property services</b>		
Property services	<u>11,101,501</u>	<u>9,446,258</u>
<b>Community living services</b>		
Home living services	547,453	256,420
Community space services	280,635	249,788
Property asset management services	253,132	148,343
Cultural & education services	<u>690,827</u>	<u>547,740</u>
	<u>1,772,047</u>	<u>1,202,291</u>
<b>Consulting services</b>		
Property under construction services	2,020,899	1,821,093
Management consulting services	<u>274,357</u>	<u>245,703</u>
	<u>2,295,256</u>	<u>2,066,796</u>
<b>Technology services</b>		
Technology services	<u>407,984</u>	<u>448,796</u>
	<u>15,576,788</u>	<u>13,164,141</u>
<b>Revenue recognised at point in time:</b>		
<b>Community living services</b>		
Community products and services	1,272,004	1,138,251
Property asset management services	<u>477,829</u>	<u>480,209</u>
	<u>1,749,833</u>	<u>1,618,460</u>
<b>Technology services</b>		
Technology services	<u>19,970</u>	<u>40,594</u>
	<u>1,769,803</u>	<u>1,659,054</u>
	<u>17,346,591</u>	<u>14,823,195</u>

Disaggregation of revenue from contracts with customers by geographical location is disclosed in note 2(b)(i).

No revenue from transaction with single external customer amounts to 10% or more of the Group's revenue for each of the periods presented.

**(b) Segment reporting**

The Group manages its businesses by geographical location. In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following seven reportable segments.

- Region 1: Hangzhou (include Yuhang)
- Region 2: Yangtze River Delta Region (include Ningbo)
- Region 3: Pearl River Delta Region
- Region 4: Bohai Economic Rim Region
- Region 5: Australia
- Region 6: Other overseas and Hong Kong Regions
- Region 7: Other mainland China Regions

*(i) Segment results, assets and liabilities*

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results, assets and liabilities attributable to each reportable segment on the following bases:

Segment assets include all non-current assets and current assets with the exception of deferred tax assets. Segment liabilities include trade and other payables of the individual segments and bank borrowings managed directly by the segments with exceptions of current taxation and deferred tax liabilities.

Revenue and expenses are allocated to the reportable segments with reference to revenue generated by those segments and the expenses incurred by those segments or which otherwise arise from the depreciation or amortisation of assets attributable to those segments.

The measure used for reporting segment profit is profit before taxation. In addition to receiving segment information concerning profit before taxation, management is provided with segment information concerning revenue (including inter segment sales), interest income and expense from cash balances and borrowings managed directly by segments, depreciation and amortisation, impairment losses and additions to non-current segment assets used by the segments in their operations. Inter-segment sales are priced with reference to prices charged to external parties for similar orders.

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2023 and 2022 is set out below:

	Year ended 31 December 2023											
	Hangzhou		Yangtze River Delta Region							Other overseas and Hongkong Regions	Other mainland China Regions	Total
	Hangzhou (exclude Yuhang) RMB'000	Yuhang Region RMB'000	Yangtze River Region (exclude Ningbo) RMB'000	Ningbo Region RMB'000	Pearl River Delta Region RMB'000	Bohai Economic Rim Region RMB'000	Australia RMB'000	Other overseas and Hongkong Regions RMB'000	Other mainland China Regions RMB'000			
Revenue from external customers	5,450,790	638,138	4,832,377	1,022,007	1,047,719	2,053,919	581,234	5,377	1,761,711	17,393,272		
Inter-segment revenue	233,730	55,986	59,071	2,360	3,904	9,809	-	5	22,400	387,265		
<b>Reportable segment revenue</b>	<b>5,684,520</b>	<b>694,124</b>	<b>4,891,448</b>	<b>1,024,367</b>	<b>1,051,623</b>	<b>2,063,728</b>	<b>581,234</b>	<b>5,382</b>	<b>1,784,111</b>	<b>17,780,537</b>		
<b>Reportable segment profit</b>	<b>451,622</b>	<b>62,746</b>	<b>320,787</b>	<b>39,777</b>	<b>18,609</b>	<b>76,445</b>	<b>17,969</b>	<b>(224,882)</b>	<b>209,153</b>	<b>972,226</b>		
Interest income	61,800	15	2,336	642	139	658	2,960	6,731	982	76,263		
Interest expense (excluding expense capitalised)	(13,192)	(919)	(1,872)	(10,888)	(414)	(5,093)	(41,823)	(220)	(3,918)	(78,339)		
Share of profits less losses of associates	133,798	-	(13)	-	-	266	-	11,135	-	145,186		
Share of profits less losses of joint ventures	(206)	-	87	-	-	6	-	-	-	(113)		
Depreciation and amortisation for the year (excluding expense capitalised)	(220,859)	(16,799)	(46,833)	(29,931)	(8,182)	(45,533)	(92,720)	(26)	(23,669)	(484,552)		
<b>Reportable segment assets</b>	<b>38,994,478</b>	<b>822,614</b>	<b>9,384,271</b>	<b>2,327,188</b>	<b>1,765,939</b>	<b>2,969,030</b>	<b>1,486,204</b>	<b>2,947,661</b>	<b>2,840,432</b>	<b>63,537,817</b>		
Including:												
Interest in joint ventures	8,801	-	535	-	-	94	-	-	-	9,430		
Interest in associates	544,540	-	10,581	-	-	553	-	281,762	-	837,436		
Other financial assets	810,612	-	35,025	-	-	-	1,164	786,833	-	1,633,634		
Additions to property, plant and equipment, right of use assets, investment properties, intangible assets and goodwill during the year	245,208	13,825	63,890	19,261	23,032	50,418	171,797	75	23,896	611,402		
<b>Reportable segment liabilities</b>	<b>37,535,472</b>	<b>804,718</b>	<b>7,416,410</b>	<b>1,952,366</b>	<b>1,310,171</b>	<b>2,266,868</b>	<b>1,379,963</b>	<b>98,805</b>	<b>2,078,273</b>	<b>54,843,046</b>		

Year ended 31 December 2022

	Hangzhou		Yangtze River Delta Region					Other overseas and Hongkong Regions	Other mainland China Regions	Total
	Hangzhou (exclude Yuhang) RMB'000	Yuhang Region RMB'000	Yangtze River Region (exclude Ningbo) RMB'000	Ningbo Region RMB'000	Pearl River Delta Region RMB'000	Bohai Economic Rim Region RMB'000	Australia RMB'000			
Revenue from external customers	4,560,537	606,385	4,066,425	899,388	954,900	1,824,951	452,385	2,727	1,488,645	14,856,343
Inter-segment revenue	111,145	20,371	46,563	2,295	3,875	5,182	-	-	18,829	208,260
<b>Reportable segment revenue</b>	<b>4,671,682</b>	<b>626,756</b>	<b>4,112,988</b>	<b>901,683</b>	<b>958,775</b>	<b>1,830,133</b>	<b>452,385</b>	<b>2,727</b>	<b>1,507,474</b>	<b>15,064,603</b>
<b>Reportable segment profit</b>	<b>180,228</b>	<b>38,642</b>	<b>354,260</b>	<b>79,362</b>	<b>95,136</b>	<b>81,030</b>	<b>5,589</b>	<b>(99,171)</b>	<b>128,865</b>	<b>863,941</b>
Interest income	26,971	10	3,085	223	225	438	286	15,712	1,317	48,267
Interest expense (excluding expense capitalised)	(18,183)	(1,607)	(2,325)	(2,005)	(278)	(2,791)	(51,963)	-	(6,350)	(85,502)
Share of profits less losses of associates	7,586	-	-	-	-	(57)	-	21,698	(2,769)	26,458
Share of profits less losses of joint ventures	1,456	-	(11)	-	-	(161)	795	-	-	2,079
Loss on disposal of associates	(285)	-	-	-	-	-	-	-	-	(285)
Depreciation and amortisation for the year (excluding expense capitalised)	(178,023)	(10,209)	(42,743)	(23,614)	(5,500)	(44,925)	(105,454)	(13)	(22,841)	(433,322)
<b>Reportable segment assets</b>	<b>28,237,360</b>	<b>758,271</b>	<b>7,810,053</b>	<b>2,280,655</b>	<b>1,512,795</b>	<b>2,412,364</b>	<b>1,573,667</b>	<b>2,552,473</b>	<b>2,617,079</b>	<b>49,754,717</b>
Including:										
Interest in joint ventures	6,008	-	447	-	-	88	-	22,138	-	28,681
Interest in associates	372,411	-	-	-	-	287	-	286,505	-	659,203
Other financial assets	910,499	-	5	-	-	-	2,954	1,007,500	-	1,920,958
Additions to property, plant and equipment, right of use assets, investment properties, intangible assets and goodwill during the year	489,013	20,663	55,207	262,455	19,862	37,519	229,385	-	22,912	1,137,016
<b>Reportable segment liabilities</b>	<b>27,493,635</b>	<b>572,583</b>	<b>5,926,684</b>	<b>1,606,459</b>	<b>1,070,210</b>	<b>1,676,333</b>	<b>1,259,811</b>	<b>60,093</b>	<b>1,783,339</b>	<b>41,449,147</b>

(ii) Reconciliations of reportable segment revenues, profit or loss, assets and liabilities

	2023 RMB'000	2022 RMB'000
<b>Revenue</b>		
Reportable segment revenue	<b>17,780,537</b>	15,064,603
Elimination of inter-segment revenue	<b>(387,265)</b>	(208,260)
<b>Consolidated revenue</b>	<b>17,393,272</b>	14,856,343

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Profit</b>		
Reportable segment profit	972,226	863,941
Elimination of inter-segment profits	<u>—</u>	<u>—</u>
Reportable segment profit derived from Group's external customers	<u>972,226</u>	<u>863,941</u>
Consolidated profit before taxation	<u><u>972,226</u></u>	<u><u>863,941</u></u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Assets</b>		
Reportable segment assets	63,537,817	49,754,717
Elimination of inter-segment receivables	(45,975,221)	(33,256,665)
Deferred tax assets	<u>519,073</u>	<u>355,640</u>
Consolidated total assets	<u><u>18,081,669</u></u>	<u><u>16,853,692</u></u>
	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Liabilities</b>		
Reportable segment liabilities	54,843,046	41,449,147
Elimination of inter-segment payables	(45,986,240)	(33,256,665)
Current taxation	901,996	684,553
Deferred tax liabilities	<u>97,663</u>	<u>100,514</u>
Consolidated total liabilities	<u><u>9,856,465</u></u>	<u><u>8,977,549</u></u>



### 3. OTHER REVENUE AND OTHER NET LOSSES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other revenue</b>		
Government grants ( <i>note (i)</i> )	66,021	93,060
Value-added tax deductible ( <i>note (ii)</i> )	28,749	51,949
Others	17,496	12,126
	<u>112,266</u>	<u>157,135</u>

- (i) Government grants mainly represent unconditional discretionary financial support from local municipal government authorities.
- (ii) Value-added tax deductible mainly included additional deduction of input value-added tax applicable to certain subsidiaries of the Group.

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
<b>Other net losses</b>		
Net loss on sale of property, plant and equipment	(2,297)	(1,273)
Net realised and unrealised losses on FVPL		
— Convertible notes	(127,434)	—
— Project investments	(18,279)	27,383
— Unlisted equity investments	(60,856)	963
— Treasury products	63,281	5,730
— Listed equity securities	(22,923)	(19,937)
— Funds	(19,213)	2,710
Net foreign exchange losses	(3,599)	(23,878)
	<u>(191,320)</u>	<u>(8,302)</u>

#### 4. PROFIT BEFORE TAXATION

Profit before taxation is arrived at after charging/(crediting):

	2023 RMB'000	2022 RMB'000
<b>(a) Net finance costs</b>		
Interest income on financial assets measured at amortised cost	(76,263)	(48,267)
Interest expense on bank loans	22,559	28,327
Interest on lease liabilities	74,576	68,265
Less: interest expense capitalised into assets under construction*	<u>(18,796)</u>	<u>(11,090)</u>
Net finance costs	<u><u>2,076</u></u>	<u><u>37,235</u></u>

\* For the year ended 31 December 2023, the interest expense have been capitalised at a rate of 6.23%–7.71% per annum.

	2023 RMB'000	2022 RMB'000
<b>(b) Staff costs</b>		
Salaries and other benefits	4,997,860	4,355,298
Equity-settled share-based payment expense	33,724	39,396
Contributions to defined contribution scheme (note (i))	<u>785,288</u>	<u>669,834</u>
	<u><u>5,816,872</u></u>	<u><u>5,064,528</u></u>
Included in:		
— Cost of sales	4,734,542	4,114,336
— Administrative expenses	898,001	795,868
— Selling and marketing expenses	<u>184,329</u>	<u>154,324</u>
	<u><u>5,816,872</u></u>	<u><u>5,064,528</u></u>

(i) Employees of the Group's PRC subsidiaries are required to participate in a defined contribution scheme administered and operated by the local municipal government. The Group's PRC subsidiaries contribute funds which are calculated on certain percentages of the employee salary as agreed by the local municipal government to the scheme to fund the retirement benefits of the employees.

The Group has no other material obligation for the payment of retirement benefits associated with these schemes beyond the annual contributions described above.

	2023 RMB'000	2022 RMB'000
<b>(c) Other items</b>		
Expected credit losses on financial instruments		
— trade receivables	124,102	125,614
— other receivables	62,304	16,442
— listed debt investments ( <i>note (i)</i> )	15,316	51,062
Impairment losses		
— investment properties	11,708	—
— interest in associates	31,870	25,759
	<u>124,102</u>	<u>125,614</u>
Depreciation charge		
— property, plant and equipment	175,043	147,060
— right-of-use assets	196,188	186,782
— investment properties	56,721	50,245
Amortisation charge		
— intangible assets	56,600	49,235
Expense relating to short-term leases	121,269	130,904
Expense relating to leases of low-value assets, excluding short-term leases of low-value assets	728	849
Provision for lawsuit	91,415	20,000
Cost of inventories	1,134,658	771,689
Outsourcing labor costs	5,398,139	4,652,133
Auditors' remuneration		
— annual audit services	4,150	3,850
— review services	1,150	1,150
	<u>4,150</u>	<u>3,850</u>
	<u>1,150</u>	<u>1,150</u>

(i) Comparative figure of 2022 previously included in other operating expenses.

## 5. INCOME TAX

### (a) Taxation in the consolidated statement of profit or loss represents:

	2023 RMB'000	2022 RMB'000
<b>Current tax — PRC corporate income tax</b>		
Provision for the year	396,308	333,044
Under-provision in respect of prior years	2,075	3,218
	<u>398,383</u>	<u>336,262</u>
<b>Current tax — Overseas corporate income tax</b>		
Provision for the year	22,659	10,232
<b>Deferred tax</b>		
Origination and reversal of temporary differences	(164,946)	(113,976)
	<u>(164,946)</u>	<u>(113,976)</u>
	<u>256,096</u>	<u>232,518</u>

(b) **Reconciliation between tax expense and accounting profit at applicable tax rates:**

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Profit before taxation	<u>972,226</u>	<u>863,941</u>
National tax on profit before taxation, calculated at the rates applicable to profits in the tax jurisdictions concerned ( <i>note (i)</i> )	260,362	224,113
Tax benefit of subsidiaries subject to preferential tax rates ( <i>note (ii)</i> )	(20,063)	(21,770)
Tax effect of non-deductible expenses, net of non-taxable income	50,291	18,759
Additional deduction for qualified research and development cost ( <i>note (iii)</i> )	(9,267)	(7,128)
Tax effect of unused tax losses not recognised	19,589	23,149
Recognition of temporary deductible differences and tax losses not recognised as deferred tax assets in previous years	(23,007)	(6,610)
Reversal of deferred tax recognised in prior years	11,420	5,126
Tax effect of share of results of associates and joint ventures	(35,304)	(6,339)
Under-provision in respect of prior years	<u>2,075</u>	<u>3,218</u>
Actual tax expense	<u>256,096</u>	<u>232,518</u>

- (i) Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands (“BVI”), the Group is not subject to any income tax in the Cayman Islands and BVI.

The income tax rate applicable to Group entities incorporated in Hong Kong for the income subject to Hong Kong Profits Tax is 16.5%. No provision for Hong Kong Profits Tax has been made as the Group did not earn any income subject to Hong Kong Profits Tax during the year ended 31 December 2023 and 2022.

The income tax rate applicable to Group entities incorporated in Australia for the income subject to Income Tax Assessment Act 1997 during the reporting period is 30%.

(ii) PRC Corporate Income Tax

The Group's PRC subsidiaries are subject to PRC income tax at 25% unless otherwise specified.

- For the year ended 31 December 2023, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 5% on taxable income within RMB3,000,000.

For the year ended 31 December 2022, the Group's certain subsidiaries fulfilled the criteria required for preferential income tax rate granted to small and low profit-making enterprises in the PRC, and were entitled to a preferential income tax rate of 2.5% on taxable income for the first RMB1,000,000 and 5% on taxable income for the subsequent RMB1,000,000 to RMB3,000,000.

- Pursuant to Chapter 28 of the Law of the People's Republic of China on Enterprise Income Tax, enterprises are entitled to a preferential income tax rate of 15% after the recognition of high and new technology enterprise.

The following list contains subsidiaries of the Group obtained high and new technology enterprise certifications and entitled to a preferential income tax rate of 15%.

	<b>Concessionary tax rate</b>	<b>Applicable period</b>
Hangzhou Greentown Information and Technology Company Limited (杭州綠城信息技術有限公司)	15%	2021 to 2023
Lyman Technology Company Limited (綠漫科技有限公司)	15%	2022 to 2024
Zhejiang Huixiang Information and Technology Company Limited (浙江慧享信息科技有限公司)	15%	2023 to 2025
Zhejiang Greentown Architectural Technology Co., Ltd. (浙江綠城建築科技有限公司)	15%	2021 to 2023
Caizhiyunxiang (Hangzhou) Data Information Technology Co., Ltd. (財智雲享(杭州)數據信息技術有限公司)	15%	2022 to 2024
Zhejiang Greentown Housing Service System Co., Ltd. (浙江綠城房屋服務系統有限公司)	15%	2021 to 2023
Zhejiang Chunling Technology Group Co., Ltd (浙江椿齡科技集團有限公司)	15%	2022 to 2024

- (iii) Under the PRC Corporate Income Tax Law and its relevant regulations, additional tax deduction is allowed for qualified research and development costs.

## 6. EARNINGS PER SHARE

### (a) Basic earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB605,374,000 (2022: RMB547,501,000) and the weighted average of 3,210,924,000 ordinary shares (2022: 3,243,688,000 shares) in issue during the year, calculated as follows:

*Weighted average number of ordinary shares*

	2023 '000	2022 '000
Issued ordinary shares at 1 January	3,227,696	3,245,296
Effect of share options exercised	–	2,801
Effect of shares repurchased	<u>(16,772)</u>	<u>(4,409)</u>
Weighted average number of ordinary shares at 31 December	<u><u>3,210,924</u></u>	<u><u>3,243,688</u></u>

### (b) Diluted earnings per share

The Company issued potentially dilutive instrument such as equity settled share-based transaction in previous years. However, the Company did not include this instrument in its calculation of diluted earnings per share during the year ended 31 December 2023, because the effect of such inclusion would be anti-dilutive. Therefore, diluted earnings per share are the same as the basic earnings per share for the year ended 31 December 2023.

For the year ended 31 December 2022, the Company has one category of dilutive potential ordinary shares, which is the share options granted to certain directors and employees of the Group which were vested at 11 September 2018.

Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding by the assumption of the conversion of all potential dilutive ordinary shares arising from these equity settled share-based transactions.

The calculation of diluted earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB547,501,000 and the weighted average number of ordinary shares outstanding after adjusting of all dilutive potential ordinary shares amounting to 3,248,462,000 ordinary shares, calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	2022 '000
Weighted average number of ordinary shares at 31 December	3,243,688
Effect of equity settled share-based transactions	<u>4,774</u>
Weighted average number of ordinary shares (diluted) at 31 December	<u><u>3,248,462</u></u>

## 7. SHARE CAPITAL AND DIVIDENDS

### (a) Share capital

#### (i) Issued share capital

	2023		2022	
	No. of shares (‘000)	RMB’000	No. of shares (‘000)	RMB’000
<b>Ordinary shares, issued and fully paid:</b>				
At 1 January	3,232,380	28	3,245,296	28
Shares issued under share option scheme	–	*	4,684	*
Cancellation of shares	<u>(38,266)</u>	<u>(1)</u>	<u>(17,600)</u>	<u>*</u>
At 31 December	<u>3,194,114</u>	<u>27</u>	<u>3,232,380</u>	<u>28</u>

\* Amount less than 1,000.

### (b) Dividends

#### (i) Dividends payable to equity shareholders of the Company attributable to the year:

	2023 RMB’000	2022 RMB’000
A final dividend of HKD0.150 per ordinary share proposed after the end of reporting period (2022: a final dividend of HKD0.100 per ordinary share proposed after the end of reporting period)	<u>434,185</u>	<u>288,739</u>

The final dividend proposed for shareholders’ approval after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

#### (ii) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year:

	2023 RMB’000	2022 RMB’000
A final dividend of HKD0.100 per share in respect of the previous financial year, approved and paid during the year (2022: a final dividend of HKD0.160 per share and a special dividend of HKD0.040 per share in respect of the previous financial year, approved and paid during the year)	<u>285,115</u>	<u>542,837</u>

The dividends approved during the years ended 31 December 2023 and 2022 were paid on 11 July 2023 and 12 July 2022 respectively.

## 8. TRADE AND OTHER RECEIVABLES

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade receivables ( <i>note (i)</i> )	4,654,489	3,840,857
Less: Loss allowance of trade receivables	<u>(389,695)</u>	<u>(324,094)</u>
Trade receivables, net of loss allowance	4,264,794	3,516,763
Payments on behalf of property owners	319,187	354,517
Deposits	325,640	313,562
Loan receivables	204,286	468,495
Advances to staff	53,934	79,780
Receivable from disposal of subsidiaries	38,359	35,374
Others	<u>41,243</u>	<u>128,985</u>
Other receivables	982,649	1,380,713
Less: Loss allowance of other receivables	<u>(133,532)</u>	<u>(71,525)</u>
Other receivables, net of loss allowance	849,117	1,309,188
Less: Other receivables due after one year, net of loss allowance	<u>(69,078)</u>	<u>(215,555)</u>
Financial assets measured at amortised cost	<u><u>5,044,833</u></u>	<u><u>4,610,396</u></u>

Trade receivables are primarily related to revenue recognised from the provision of property services, community living services, consulting services and technology services.

For other provision of services and sales of goods, trade receivables are due when the receivables are recognised.

- (i) Include in the balance of trade receivables, there is a sum of cash-in-transit of RMB143,506,000 which has been settled subsequently in the bank of the Group.



## Ageing analysis

As of the end of the reporting period, the ageing analysis of trade receivables based on the date of revenue recognition and net of allowance for impairment of trade receivables, is as follows:

	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Within 1 year	2,734,183	2,704,165
1 to 2 years	1,041,867	737,506
2 to 3 years	427,564	58,199
3 to 4 years	55,581	14,011
4 to 5 years	5,599	343
Over 5 years	–	2,539
	<u>4,264,794</u>	<u>3,516,763</u>

## 9. TRADE AND OTHER PAYABLES

	<i>Note</i>	2023 <i>RMB'000</i>	2022 <i>RMB'000</i>
Trade payables		2,004,758	1,941,839
— Billed trade payables	(a)	1,825,281	1,800,977
— Accrued trade payables		179,477	140,862
Bills payable		81,097	226,734
		<u>2,085,855</u>	<u>2,168,573</u>
Trade and bills payable		2,085,855	2,168,573
— third parties		2,054,709	2,150,896
— related parties		31,146	17,677
Less: trade and bills payable due after one year		(1,369)	(5,000)
		<u>2,084,486</u>	<u>2,163,573</u>
Trade and bills payable (current)		2,084,486	2,163,573
Refundable deposits	(b)	589,032	537,477
Escrow funds held on behalf of customers		64,112	45,900
Cash collected on behalf of the owners' associations		320,383	272,609
Temporary receipts	(c)	470,053	502,237
Amounts due to related parties		102,326	91,489
Loan from a third party		23,027	22,698
Other payables		259,028	262,656
		<u>3,912,447</u>	<u>3,898,639</u>
Financial liabilities measured at amortised cost		3,912,447	3,898,639
Accrued payroll and other benefits		553,010	504,880
Other tax, charges payable and accruals		406,148	330,217
		<u>4,871,605</u>	<u>4,733,736</u>

- (a) Trade payables mainly represent payables arising from sub-contracting services including cleaning, landscaping, maintenance and security services provided by suppliers, and payable for the purchase of goods and car parking places.

As of the end of each reporting period, the ageing analysis of billed trade payables, based on invoice date is as follows:

	<b>2023</b>	2022
	<i><b>RMB'000</b></i>	<i>RMB'000</i>
Within 1 month	<b>1,363,728</b>	1,332,920
After 1 month but within 3 months	<b>149,035</b>	136,361
After 3 months but within one year	<b>207,908</b>	186,833
After one year	<b>104,610</b>	144,863
	<u><b>1,825,281</b></u>	<u>1,800,977</u>

- (b) Refundable deposits represent miscellaneous decoration deposits received from property owners during the decoration period.
- (c) Temporary receipts represent utility charges received from residents on behalf of utility companies.

#### **10. NON-ADJUSTING EVENTS AFTER THE REPORTING PERIOD**

- (a) Subsequent to the end of the reporting period, the directors proposed a final dividend. Further details are disclosed in note 7(b).

## CHAIRMAN’S STATEMENT

Dear shareholders,

On behalf of the Board, I hereby present the report of annual results of the Group for the year 2023.

Over the last year, the Company has undergone significant reform, tackled challenges head-on and made comprehensive strides forward. Driven by our idealism, we remain committed to high quality development. With our investors’ support and understanding, we remain steadfast and pragmatic, sparing no effort for more certainty in our foundation.

Notwithstanding the times and value reshaping in the industry, we remain steadfast with our belief in the industry’s enduring high growth potential and boundless opportunities. As people’s aspirations for a better life continue to grow, the government has strengthened the innovation in the management of community grassroots. In the process of urban renewal and the development of infrastructure leaves more room for growth. Diversified and qualitative needs “coincide” with our products, because providing high-quality integrated life service scene is the core track which we have long explored and laid out.

We have a broad prospect and are determined to practice self-discipline. Requirements of our Shareholders for the Company’s business performance, expectation of our employees for the Company’s prospects for development, property owners’ desires for a better lifestyle inspire our dedication and our customers’ demand for win-win cooperation drives our business, which are the criteria of the Company in the development of business, service and business refinement.

### **“Setting sail with anticipation, arriving with performance”**

We return to the essence of lean operations. To ensure the quality of operations with more streamlined management actions, through a series of special actions such as the open competition mechanism, Double Ten Action, and performance assistance, the continuous improvement of a number of key business indicators has been achieved; improve management efficiency with more comprehensive digital transformation, continuous improvement of per capita efficiency through a series of organizational optimization, such as upgrading the digital organization, promoting the streamlining of the organization, and transferring talents to the business circulation; plan the talent pool with a longer term perspective, through the Huangpu New sharp plan to focus on those with great potential, the Touyan project to strengthen the “waist”, the Linhang plan to grasp the “head”, in order to realize echelon construction, while through the Tianzi project, star dormitory and other related food and housing improvement measures to continue to improve the stability rate and satisfaction rate of the frontline employees, so as to achieve talent self-sufficiency in the Company.

### **“Setting sail with aspiration, arriving with satisfaction”**

We return to the essence of quality service, and support more refined systems for easier interaction between property owners and the Company. Upon disclosure of contact telephone numbers of managers at all levels and comprehensive upgrade of the chairman’s email, the 95059-customer service hotline and 3·15 National Property Owners Conference, the response time for the reported issues and the complaint resolution has decreased, with a timely completion rate of 97.2% and a complaint rate of 1.2% per thousand households. We adopted more authentic feedback to drive timely improvements for services. The Company has transitioned from surveys on multiple platforms to an integrated customer evaluation system for customers’ feedback collection in improving quality and efficiency aspects, the Saiwei satisfaction score and the property fee collection rate improved continuously. We employed more efficient digital tools to facilitate smoother channels. We have fully employed WeCom and launched a platform for the entire lifecycle, which enables property owners to have better perceptions, employees to be more efficient, and organizations to be more convenient. We focused on solid team building to cultivate a more fertile soil for happiness. We have set up a shared governance team with 72,000 residential committee directors as the core and received accolades for 92 properties with revolutionary history. Additionally, we have established a service system centered around the elderly and children, creating child and elderly-friendly neighborhoods and establishing 55 beautiful homes.

### **“Setting sail with demand, arriving with trust”**

We return to the essence of high-quality development, and sustain relatively stronger momentum on our own with stronger business capabilities. The revenue of annualised newly signed contract was RMB4.32 billion, with 32 management parks with investment over RMB100 million across the country. In addition, we have earned more opportunities with more sincere attitude to cooperate and achieve mutually beneficial results. On the one hand, we worked together with new customers and promoted equity cooperation and strategic cooperation for 12 and 15 times, respectively. On the other hand, we achieved the symbiotic development with existing customers and cooperated with a total of 7 customers whose asset value reached RMB100 million. We also create a better life scene with more integrated service capability and enhance market ability in community retail, education service, health care, assets, rental and sale and other professional sectors so as to comprehensively increase market share and recurring purchases by customers, which enabled us to achieve rapid growth in internal market share; making use of the innovative oasis model featuring three service offerings including the global platform, services at the county level and new urban services enabling us to preliminarily achieve self-sustainability, self-operating and self-circulation in the area.

## **FUTURE OUTLOOK**

In 2024, the external environment remains tremendously challenging. The transition of the economy is still tumbling at the bottom of the cycle. However, as the saying goes, steep mountains are also magnificent, roaring oceans are also spectacular, in line with the main line of continuously promoting high quality development, we will uphold a people-oriented principle by enabling all staff to better manage our operations in a desirable working environment, and thereby renewing the service system; uphold a philosophy of beginning with the previous milestones to simultaneously conduct quality enhancement and refined operation, and thereby improving service value; emphasize the core role of innovation by making use of digital technologies and management innovation to achieve the renewal of service momentums. We will put an emphasis on community living services by focusing on quality cities, quality clients and quality projects, with a view to facilitating the transformation of property services to living services and urban services.

Only through hardships can we demonstrate our courage and perseverance, only through hard work can we achieve success. In 2024, we will improve services, pursue better life and take practical actions, seek innovation in persistence, seek development in innovation, seek transcendence in development and seek fundamental change in transcendence.

**Yang Zhangfa**  
*Chairman of the Board*

## MANAGEMENT DISCUSSION AND ANALYSIS

The Group is a leading happy living service provider nationwide. The main business scope covers property services, community living services, consulting services and technology services. The Group always adheres to the concept of “Service Makes Life Better”, and the strategic goal of the Group is to become the most valuable happiness service provider in China. The Group adheres to the customer-oriented and quality-oriented service strategy, the development strategy on human-oriented technological synergy, the business strategy of improving the lean operational efficiency, and adheres to the original intention of service and service innovation. The Group will complete the same goal with employees, grow together with the property owners, and make progress with the society.

### FINANCIAL REVIEW

For the year ended 31 December 2023, the Group achieved the following:

#### Revenue

Revenue was RMB17,393.3 million. Compared with that for the year of 2022, which was RMB14,856.3 million, the growth rate on Y/Y basis reached 17.1%.

The Group’s revenue comes from four major businesses: (i) property services; (ii) community living services; (iii) consulting services ; and (iv) technology services. During the year, (i) revenue from the property services reached RMB11,101.5 million, accounting for 63.8% of the Group’s overall revenue. Compared with RMB9,446.3 million for the year of 2022, there was a Y/Y growth of 17.5%; (ii) revenue from community living services reached RMB3,568.6 million, accounting for 20.5% of the Group’s overall revenue. Compared with RMB2,853.9 million for the year of 2022, there was a Y/Y growth of 25.0%; (iii) revenue from consulting services amounted to RMB2,295.3 million, accounting for 13.2% of the Group’s overall revenue. There was a Y/Y growth of 11.1% compared with RMB2,066.8 million for the year of 2022; and (iv) revenue from technology services amounted to RMB428.0 million, accounting for 2.5% of the Group’s overall revenue, representing a decrease of 12.6% from RMB489.4 million for the year of 2022.

	2023		2022		
	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>RMB'000</i>	<i>% of the total revenue</i>	<i>Y/Y%</i>
<b>Property services</b>					
Property services	<u>11,101,501</u>	<u>63.8%</u>	<u>9,446,258</u>	<u>63.6%</u>	<u>17.5%</u>
	<u>11,101,501</u>	<u>63.8%</u>	<u>9,446,258</u>	<u>63.6%</u>	<u>17.5%</u>
<b>Community living services</b>					
Community products & services	<u>1,272,004</u>	<u>7.3%</u>	<u>1,138,251</u>	<u>7.6%</u>	<u>11.7%</u>
Home living services	<u>547,453</u>	<u>3.1%</u>	<u>256,420</u>	<u>1.7%</u>	<u>113.5%</u>
Community space services	<u>280,635</u>	<u>1.6%</u>	<u>249,788</u>	<u>1.7%</u>	<u>12.3%</u>
Property asset management services	<u>777,642</u>	<u>4.5%</u>	<u>661,700</u>	<u>4.5%</u>	<u>17.5%</u>
Cultural & education services	<u>690,827</u>	<u>4.0%</u>	<u>547,740</u>	<u>3.7%</u>	<u>26.1%</u>
	<u>3,568,561</u>	<u>20.5%</u>	<u>2,853,899</u>	<u>19.2%</u>	<u>25.0%</u>
<b>Consulting services</b>					
Property under construction services	<u>2,020,899</u>	<u>11.6%</u>	<u>1,821,093</u>	<u>12.2%</u>	<u>11.0%</u>
Management consulting services	<u>274,357</u>	<u>1.6%</u>	<u>245,703</u>	<u>1.7%</u>	<u>11.7%</u>
	<u>2,295,256</u>	<u>13.2%</u>	<u>2,066,796</u>	<u>13.9%</u>	<u>11.1%</u>
<b>Technology services</b>					
Technology services	<u>427,954</u>	<u>2.5%</u>	<u>489,390</u>	<u>3.3%</u>	<u>-12.6%</u>
	<u>427,954</u>	<u>2.5%</u>	<u>489,390</u>	<u>3.3%</u>	<u>-12.6%</u>
	<u>17,393,272</u>	<u>100.0%</u>	<u>14,856,343</u>	<u>100.0%</u>	<u>17.1%</u>

## **Cost of sales**

During the year, the cost of sales was RMB14,479.9 million, representing an increase of 16.3% compared with that of RMB12,454.4 million for the year of 2022, which was slightly lower than revenue growth.

## **Gross profit margin**

Gross profit reached RMB2,913.4 million, representing a growth of 21.3% compared with RMB2,402.0 million for the year of 2022. Gross profit margin was 16.8%, increased by 0.6 percentage points compared with 16.2% for the year of 2022, which was mainly due to the fact that the Group continued to strengthen the cost control through a series of measures to improve quality and efficiency.

- Gross profit margin for property services was 13.0%, which increased by 0.9 percentage points compared with 12.1% for the year of 2022;
- Gross profit margin for community living services was 21.5%, which increased by 0.7 percentage points as compared with 20.8% for the year of 2022;
- Gross profit margin for consulting services was 23.4%, which was higher than 22.7% for the year of 2022 by 0.7 percentage points; and
- Gross profit margin for technology services was 38.7%, which decreased by 2.2 percentage points compared with 40.9% for the year of 2022.

## **Selling and marketing expenses**

Selling and marketing expenses were RMB342.6 million, representing an increase of 28.7% compared with RMB266.3 million for the year of 2022. This was mainly due to the increase in costs associated with developing the related business of community living services, including the increases in sales staff and venue rental costs.

## **Administrative expenses**

Administrative expenses were RMB1,274.8 million, representing an increase of 10.4% compared with RMB1,154.8 million for the year of 2022, which was lower than the growth rate of the revenue. This was mainly because the Group continued to streamline organs and the control of administrative logistics costs, and administrative expenses were effectively controlled.



## Core operation profit

Core operating profit was RMB1,296.0 million, representing an increase of 32.1% compared with RMB980.9 million for the year of 2022, which was mainly due to the Group's effective cost control measures that have brought about continuous improvement in the profitability of the principal operating business.

## Other operating expenses

Other operating expenses increased by 127.9% to RMB168.2 million from RMB73.8 million for the year of 2022, which was mainly due to the provisions duly made by the Group for a claim relating to a legal proceeding. For details of the legal proceeding, please refer to the Company's announcements dated 19 July 2022, 20 October 2022, 21 March 2023 and 21 August 2023.

## Other net losses

Other net losses were RMB191.3 million, representing an increase of RMB183.0 million from RMB8.3 million in 2022, which was mainly due to changes in the market environment, and after prudent consideration, we increased the provision for impairment of financial instruments and other assets, which mainly included the unrealised losses in relation to the Company's interest in China CVS Holdings Limited and convertible notes issued by China CVS Holdings Limited of a combined total of about RMB154.4 million (for relevant details of the latest update of the Company and China CVS Holdings Limited, please refer to the Company's announcement dated 26 October 2022).

## Net finance costs

The net finance costs during the year were RMB2.1 million, which decreased by RMB35.1 million compared with RMB37.2 million for the year of 2022, which was mainly due to the increase in interest income.

	<b>2023</b>	2022	
	<b>RMB'000</b>	RMB'000	Y/Y%
Interest income on financial assets measured at amortised cost	<b>(76,263)</b>	(48,267)	58.0%
Interest expense on bank loans	<b>22,559</b>	28,327	-20.4%
Interest expense on lease liabilities	<b>74,576</b>	68,265	9.2%
Less: interest expense capitalised into assets under construction	<b>(18,796)</b>	(11,090)	69.5%
<b>Net finance costs</b>	<b>2,076</b>	37,235	-94.4%

## **Share of profits/losses of associates and joint ventures**

During the year, share of profit of associates amounted to RMB145.2 million, compared to that of RMB26.5 million for the year of 2022, representing an increase of 447.9%, which was mainly attributable to the profitability of an associate of the Group during the year.

During the year, share of losses of joint ventures amounted to RMB0.1 million, representing a Y/Y decrease of RMB2.2 million compared with the profit of RMB2.1 million for the year of 2022, which was mainly due to the increase of losses in certain joint ventures.

## **Income Tax**

The income tax for the year was RMB256.1 million, which increased by 10.2% from RMB232.5 million for the year of 2022. The effective income tax rate was 26.3%, which was in line with 26.9% for the year of 2022. For the applicable tax rate of income tax, please refer to Note 5 to the consolidated financial statements on pages 19 to 21 of this announcement.

## **Profit before taxation**

During the year, profit before taxation reached RMB972.2 million, which increased by 12.5% from RMB863.9 million for the year of 2022.

## **Profit for the year**

Profit for the year was RMB716.1 million, representing an increase of 13.4% compared with RMB631.4 million for the year of 2022.

The profit attributable to equity shareholders of the Company for the year was RMB605.4 million, representing an increase of 10.6% as compared with RMB547.5 million for the year of 2022. Such growth rate was slower than that of core operating profit, mainly due to changes in the market environment, and after prudent consideration, we increased the provision for impairment of financial instruments and other assets, which mainly includes the unrealised losses in relation to the Company's interest in China CVS Holdings Limited and convertible notes issued by China CVS Holdings Limited of a combined total of about RMB154.4 million (for relevant details of the latest update of the Company and China CVS Holdings Limited, please refer to the Company's announcement dated 26 October 2022).

Net profit margin for the year was 4.1%, representing a decrease of 0.2 percentage points compared with 4.3% for the year of 2022.

## **Liquidity, reserves and capital structure**

The Group maintained good financial condition during the year. The current assets as at 31 December 2023 amounted to RMB12,111.7 million, which increased by 11.7% compared with RMB10,840.6 million as at 31 December 2022. The Group's cash and cash equivalents amounted to RMB4,530.8 million as at 31 December 2023, which increased by 8.3% Y/Y compared with RMB4,183.4 million as at 31 December 2022.

Net cash generated from operating activities amounted to RMB1,436.1 million during the year, which increased by 106.5% Y/Y from RMB695.3 million for the year of 2022, mainly because we continued to strengthen the control of repayment during the year. Net cash used in investing activities amounted to RMB377.5 million, which increased by 168.1% compared with RMB140.8 million in 2022. Net cash used in financing activities was RMB717.2 million, down by RMB3.2 million from RMB720.4 million in 2022.

As at 31 December 2023, long-term loans amounted to RMB23.0 million, which were mainly borrowed by certain domestic subsidiaries of the Group from a bank for the day-to-day operational needs. The interest rate of the bank loan ranges from 4.35% to 5.10%. As at 31 December 2023, such subsidiaries did not breach the financing covenants.

As at 31 December 2023, the short-term loans amounted to RMB267.4 million (equivalent to approximately AUD55.2 million), which were mainly borrowed by MAG from a bank for the day-to-day operational needs. The bank loan bears an interest rate ranging from 4.18% to 7.53% (31 December 2022: 3.47% to 6.55%). The loans will be repayable in May 2024 and MAG will renew the loans. Such loans are subject fulfilment of certain financial covenants of MAG. If MAG was to breach the covenants, the drawn down facility would become payable on demand. MAG regularly monitors its compliance with these covenants. As at 31 December 2023, none of the covenants relating to drawn down facility had been breached.

As at 31 December 2023, bank loans of approximately RMB72.2 million (31 December 2022: RMB127.1 million) were at fixed interest rates, the remaining balances were at variable rates .

As at 31 December 2023, the debt ratio (total liabilities divided by total assets) of the Group was 54.5%, representing an increase of 1.2 percentage points compared with 53.3% as at 31 December 2022.

## **Investment properties, property, plant and equipment and right-of-use assets**

As at 31 December 2023, investment properties, property, plant and equipment and right-of-use assets amounted to RMB2,339.6 million, which decreased by 1.8% Y/Y from RMB2,383.3 million as at 31 December 2022, it was mainly due to the adjustment of the related product structure of the Group and the withdrawal of some commercial asset operation projects.

## **Intangible assets**

As at 31 December 2023, intangible assets amounted to RMB592.3 million, representing an increase of 12.0% compared with RMB529.0 million as at 31 December 2022, which was mainly due to the increase of intangible assets brought by the internal information technology construction.

## **Trade and other receivables**

As at 31 December 2023, trade and other receivables amounted to RMB5,113.9 million, representing an increase of 6.0% from RMB4,826.0 million as at 31 December 2022, which was mainly due to the increase in receivable balances brought about by the growth in business scale. During the year, we also strengthened the assessment and control of repayment and further accelerated the rate of repayment.

## **Trade and other payables**

As at 31 December 2023, trade and other payables amounted to RMB4,873.0 million, representing an increase of 2.8% from RMB4,738.7 million as at 31 December 2022, which was mainly due to the increase in the scale of purchases due to the growth in business scale.

## **Lease liabilities**

As at 31 December 2023, lease liabilities due within one year, which were included in current liabilities, were RMB287.8 million, representing an increase of 11.6% from RMB257.8 million as at 31 December 2022. The lease liabilities due after one year, which were included in long-term lease liabilities, were RMB1,130.0 million, representing a decrease of 10.1% compared with RMB1,257.6 million as at 31 December 2022, which was mainly due to the adjustment of the related product structure of the Group and the withdrawal of some commercial asset operation projects.

## **Property Services — accounting for 63.8% of total revenue, and 49.6% of total gross profit**

Property services remain the Group's largest revenue and margin source. The Group has been mainly adopting the overall rationing system for service charging. Based on our management experience and cost control capability over the past 20 years, property services provide us with stable revenue and profit, as well as good reputation, and is the cornerstone of the Group's implementation of its living services strategy. We will continue to strengthen our core fundamental services of "Security", "Maintenance", "Environmental" and "Greening", while effectively integrating the service contents of the Group's various product lines and empowering them with technology to drive the orderly and steady growth of this business segment. During the year:

- Revenue reached RMB11,101.5 million, representing an increase of 17.5% compared with RMB9,446.3 million for the year of 2022, which was mainly due to the steady growth of the managed gross floor area ("GFA").

- Gross profit reached RMB1,444.7 million, representing an increase of 26.7% from RMB1,140.4 million for the year of 2022.

	2023		2022	
	% of property service revenue	% of managed GFA	% of property service revenue	% of managed GFA
<b>Contracted GFA under management</b>				
— Residential	70.1	79.7	71.7	80.9
— Non-residential	29.9	20.3	28.3	19.1
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	100.0	100.0

- The managed GFA reached 448.4 million square meters (“sq.m”), representing an increase of 16.7% or net increase of 64.3 million sq.m compared with 384.1 million sq.m in 2022. During the year, we have always been quality-oriented, and have gained customers’ recognition and support through excellent service ; adhered to the strategy of deep urban cultivation, focused on developed areas, layout core areas and core city clusters, and fully utilize regional competitive advantages; adhered to product innovation and service enhancement, through the optimization of service and product structure, industrial linkage development, continued to promote the steady improvement of the managed GFA.
- Reserved GFA, as a major source of the future managed GFA, reached 371.6 million sq.m during the year, representing a decrease of 1.95% compared with 379.0 million sq.m in 2022, or a net decrease of 7.4 million sq.m, mainly affected by the domestic real estate market environment, we have taken the initiative to withdraw from some non-core cities and reserve projects with delivery risks. Nevertheless, our reserved GFA was still very abundant and will continue to provide a solid foundation for the Group’s future growth.
- Managed projects reached 3,105, covering 204 cities in 30 provinces, municipalities and autonomous regions in China.

- Regional distribution: as at 31 December 2023, our managed GFA and revenue by region were distributed as follows:

	2023		2022	
	% of managed GFA	% of total revenue	% of managed GFA	% of total revenue
Greater Hangzhou	16.4	35.9	16.8	34.8
— Hangzhou	11.4	32.0	12.1	30.7
— Yuhang	5.0	3.9	4.7	4.1
Ningbo	7.1	5.8	6.8	6.0
Yangtze River Delta	35.0	27.5	35.5	27.4
Bohai Economic Rim	15.4	11.6	16.1	12.3
Pearl River Delta	9.1	5.9	8.4	6.4
Others	17.0	13.3	16.4	13.1
	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

**Community living services — accounting for 20.5% of total revenue, and 26.3% of total gross profit**

Community living services offer systematic product and service solutions for all life service scenes of property owners throughout the life cycle of real estate. They are an extension of property services and an important area for us to build an ideal community that integrates “recreation”, “learning”, “joy” and “longevity” (collectively referred to as “**Four Happiness**”).

During the year, the community living services revenue was RMB3,568.6 million, representing an increase of 25.0% compared with RMB2,853.9 million in 2022. Among them:

- (1) Community products and services (accounting for 35.6% of the revenue from community living services): in 2023, the revenue reached RMB1,272.0 million, representing an increase of 11.7% Y/Y compared with RMB1,138.3 million in 2022.
- (2) Home living services (accounting for 15.3% of the revenue from community living services): in 2023, the revenue reached RMB547.5 million, representing an increase of 113.5% Y/Y compared with RMB256.4 million in 2022.
- (3) Community space services (accounting for 7.9% of the revenue from community living services): in 2023, the revenue reached RMB280.6 million, representing an increase of 12.3% Y/Y compared with RMB249.8 million in 2022.

- (4) Property asset management services (accounting for 21.8% of the revenue from community living services): in 2023, the revenue reached RMB777.6 million, representing an increase of 17.5% Y/Y compared with RMB661.7 million in 2022.
- (5) Cultural and education services (accounting for 19.4% of the revenue from the community living services): in 2023, the revenue reached RMB690.8 million, representing an increase of 26.1% Y/Y compared with RMB547.7 million in 2022.

	2023		Y/Y %	2022	
	Revenue RMB'000	% of total revenue		Revenue RMB'000	% of total revenue
Community products and services	1,272,004	35.6	11.7	1,138,251	39.8
Home living services	547,453	15.3	113.5	256,420	9.0
Community space services	280,635	7.9	12.3	249,788	8.8
Property asset management services	777,642	21.8	17.5	661,700	23.2
Cultural and education services	690,827	19.4	26.1	547,740	19.2
Total	<u>3,568,561</u>	<u>100.0</u>	<u>25.0%</u>	<u>2,853,899</u>	<u>100.0</u>

In light of the needs of property owners' daily life, the Group continued to establish a living service platform to cater for their practical needs of daily life based on the integration of five ecosystems, including community retail, home living, space service, assets operation and culture and education. During the year, we continued to optimize our service mix, focus on core ecosystems and enhance operation capacity based on strategic planning and actual conditions. Of which:

— *Community products and services*

During the year, the Group relied on the support of the “Accessibility + Relationship” community retail system, centering on the demand of basic living products, effectively make use of small programs, community pre-warehouse and community market and other carriers to stimulate the vitality of the community direct selling system, and provide complete logistics service solutions according to different customer needs, and cover high-quality scenes. At the same time, the Group continues to improve the bargaining power over the supply chain, further shorten the middle section of the product supply chain, allow quality products to be shipped directly from the production area/factory to the community, promote economy of scale and strengthen the depth of self-owned brand construction, category expansion, continue to enhance our product competitive advantage of our products and provide quality products and services to the customers.



— *Home living services*

The Group makes use of the “Four Seasons living” home service platform, to facilitate the integration of existing home living service products, proprietary + business cooperation mode to build household service system, and fixed-point teaching to achieve business, system and operation training to ensure due provision of the services landing. During the year, the revenue of this segment increased rapidly as a result of the equity cooperation in relation to Zhejiang Greentown Housing Service System Co., Ltd\* (浙江綠城房屋服務系統有限公司). between the Group and Greentown Ideal Life Service Group Co., Ltd\* (綠城理想生活服務集團有限公司). in November 2022 (2022: nil). In terms of “property services + home-based elderly care services”, the Group continues to promote the improvement of service operation capabilities, and initially formed three service modes, “Chun Yue Hui”\* (椿悅薈) as the representative of the institutional care operation, “Tao Ran Li”\* (陶然里) as the representative of the health care community operation and the “Chun Tian Li”\* (椿天里) as the representative of home care operation.

— *Property asset management services*

Based on the service value chain and the property owners’ asset management service needs as the starting point, the Group deeply cultivates the community covered by property services, builds a community asset management service system, and takes replacement services, marketing services and asset management (such as parking space business) as the main service products. During the year, we adopted a multi-model expansion strategy, such as universal brokers and pipeline distribution, focused on advantageous projects, continued to refine management, and improved profitability while increasing revenue through replacement services. At the same time, we will further optimize the business structure of parking space business, vigorously develop the agent sales and agency operation business of parking spaces, shift toward asset-light direction, and pay attention to cultivating and enhancing the core competitiveness of asset management services, so as to promote the orderly and healthy development of the business of the division.

— *Cultural and education services*

The Group continued to implement the multi-brand strategy in terms of childcare services through our three brand systems: “Wonderful Garden Daycare Center + Lezhen Daycare Center + Montessori Academy Daycare Center”\* (綠城奇妙園 + 普惠托育園 + 澳蒙國際園), and through in-depth exploration of the educational service needs of the community under management, further optimize the service content and curriculum system, improve the operation efficiency of the single garden, and continuously enhance the core competitiveness of the Group’s cultural and educational services. While continuously strengthening the operational efficiency of self-operated childcare services, we has also steadily promoted the cooperation with government-related asset-light projects (Lezhen Daycare Center). During the year, MAG’s businesses in Australia remained stable and consistently grown.



**Consulting services — accounting for 13.2% of total revenue, 18.4% of total gross profit**

We continued to focus on the full life cycle of real estate, continuously improved the growth of consulting services and strengthened core competitive advantages of our consulting services through methods such as the integration of quality resources, construction of a standardized system and business innovation. During the year:

- Revenue reached RMB2,295.3 million, an increase of 11.1% compared with RMB2,066.8 million in 2022.

	2023		YY %	2022	
	Revenue RMB'000	% of total revenue		Revenue RMB'000	% of total revenue
Project under construction services	2,020,899	88.0	11.0	1,821,093	88.1
Management consulting services	274,357	12.0	11.7	245,703	11.9
Total	<u>2,295,256</u>	<u>100.0</u>	<u>11.1</u>	<u>2,066,796</u>	<u>100.0</u>

- Our gross profit increased by 14.5% to RMB536.3 million from RMB468.6 million in 2022.

	2023		Y/Y %	2022	
	No. of projects as at year end	Average revenue per project RMB'000		No. of projects as at year end	Average revenue per project RMB'000
Project under construction services	714	2,830	12.5	724	2,515
Management consulting services	390	703	92.0	672	366

— *Property Under Construction Services*

Our revenue reached RMB2,020.9 million, representing an increase of 11.0% compared with RMB1,821.1 million in 2022. During the year, the property under construction services continued to upgrade the entirety of its products, integrated Four Happiness life into marketing activities, continuously improved the comprehensive competitiveness of service, and combined with the business service scenarios, continuously expanded the types of property under construction services, and extended to the enterprise front desk service, conference service, investment exhibition hall and other business scenarios.

— *Management Consulting Services*

Our revenue reached RMB274.4 million, representing an increase of 11.7% compared with RMB245.7 million in 2022. During the year, the management consulting services made breakthroughs in the future community consulting business and new business services, which are also effective attempt to transform from traditional property and real estate consulting services to urban property consulting services. Going forward, we will continue to adhere to the principle of “removing brand dependence, strengthening value creation, emphasizing product supply, and realizing deep market cultivation”, and continue to implement the strategy of deep cultivation in urban areas and the management of the whole process of customer development. The Group focuses on the improvement of quality and expansion of scope of our services, while consolidating existing customers and products, optimizing the structure of customer groups and continuing to enrich the product core, and gradually shift from hardware consulting services focusing on buildings and spaces, such as the traditional property consulting and real estate consulting, to full-scale services focusing on the creation of lifestyle (urban services, future community, etc.), such as top-level design, the construction of service scenes, the introduction of service resources and operational or on-the-ground guidance.

**Technology services — 2.5% of total revenue, 5.7% of total gross profit**

Technology services play an integral part in developing the product differentiation system of the Group, breaking the bottleneck of efficiency, and helping the Group achieve the strategic goal of being the most valuable and happy living service provider in China. Centering on the digitalization of services, we have built global platform products and intelligent property products for government’s digital governance, futuristic communities, and property enterprises. From the preliminary planning and design, smart hardware construction to the development and operation of digital system, technology services provide customers with intelligent, inclusive and affordable integrated solutions, and help customers in digital transformation. During the year:

- Revenue reached RMB428.0 million, representing a decrease of 12.6% compared with RMB489.4 million in 2022.
- Gross profit reached RMB165.7 million, representing a decrease of 17.3% compared with RMB200.4 million in 2022.

Mainly due to the impact of the domestic market and the real estate industry environment, some of our contracted businesses have been delayed due to the requirement of the client and other reasons. And we have also taken the initiative to adjust the product structure according to the market demand. In the future, we will continue to improve the standardization of core products, enhance product replication capabilities, optimize customer structure and other ways to promote business development.

Technology services mainly focus on the virtualization of space and the digitalization of services to provide customers with digital product and service solutions, and has formed three core businesses: (1) Shanshu intelligent property\* (善數智慧物業): which reshapes the product ecosystem matrix with digital system, and with the intelligent system operated by the Group over the years, it provides systematic solutions based on the demands of property service enterprises related to business operation management and intelligent needs; (2) Shanshu global platform\* (善數全域平台): which is based on the foundation of “platform + butler + governance” system to provide government customers with digital tools for urban basic unit governance and services, and support the digital renewal and development of urban and rural areas; and (3) Digital intelligence space\* (數智空間): which takes building science and technology as the core, provides customers with Building Information Modeling (BIM) design consulting, intelligent design, community renewal and improvement and other building technology life cycle services and comprehensive solutions in multiple segments, such as intelligent buildings and smart cities.

### **Major litigation risk**

References are made to the announcements of the Company dated 19 July 2022, 20 October 2022, 21 March 2023 and 21 August 2023 (the “**Announcements**”) in relation to the legal proceedings (the “**Legal Proceedings**”) involving Greentown Real Estate Consulting Co., Ltd\* (綠城房地產諮詢集團有限公司), a wholly-owned subsidiary of the Company. On 21 August 2023, the Group received a judgment from the Shanghai High People’s Court\* (上海市高級人民法院) in relation to the Legal Proceedings, the case no. being “(2023)滬民終426號”, which stated that the appeal filed by the Company was dismissed and the first instance judgment shall be upheld. The Legal Proceedings did not have a significant impact on the development of the Group’s core operating business. At present, the Legal Proceedings is in the process of litigation enforcement procedure and the Group has made provisions, where appropriate, for what may be required for the settlement of the Legal Proceedings.

As at the date of this announcement, to the knowledge of the Directors, other than the above, there are no other outstanding or material legal proceedings or claims would materially affect the normal operations of the Group.

### **CONTINGENT LIABILITIES**

The Group has made provisions, where appropriate, for what may be required for the settlement of the Legal Proceedings.

Save as disclosed in this announcement, the Group did not have any other significant contingent liabilities as at 31 December 2023.

## **FOREIGN EXCHANGE RISKS**

The Group conducts substantially all of its business in Mainland China, with most of the transactions conducted in Renminbi. Therefore, the Group is exposed to limited foreign currency exchange rate risk. During the year, the Group has not employed any financial instruments for hedging purposes or engaged in any forward foreign exchange contracts for foreign exchange risk hedging purposes. As the business of MAG, a subsidiary of the Company, is conducted primarily in Australian dollars, the depreciation or appreciation of the Australian dollar and the adjustment of interest rates will have an impact on the Group's performance. The Group will continue to closely monitor its exposure to exchange rate and interest rate risks and actively explore foreign exchange hedging options with major banks, and may employ derivative financial instruments to hedge against risks when necessary.

## **TREASURY POLICY**

To manage liquidity risk, the Board closely monitors the Group's liquidity position to ensure that the liquidity structure of the Group's assets, liabilities and other commitments can meet its funding requirements from time to time.

## **EMPLOYEES AND REMUNERATION POLICIES**

The Group has established its human resources policies and systems to provide a wide range of training and personal development programmes to its employees. The remuneration package offered to the staff is in line with the duties and the prevailing market terms. Discretionary bonuses based on individual performance will be paid to employees and options will be granted as recognition of and reward for their contributions. Staff benefits, including pension, medical coverage, and provident funds are also provided to employees of the Group.

As at 31 December 2023, the Group had 46,023 employees, representing an increase of 3.43% compared with the year of 2022. The total staff cost was RMB5,816.9 million, representing an increase of 14.9% compared with RMB5,064.5 million in 2022. This was mainly because of the increase in staff costs brought by the equity cooperation between the Group and Beijing Cinda Yue Life Service Co., Ltd.\* (北京信達悦生活服務有限公司) in June 2022 that were reflected during the year. Meanwhile, the growth rate of total staff cost was slower than the growth rate of revenue, and the salary cost was effectively controlled.

## **SHARE OPTION SCHEME**

The Company adopted a share option scheme on 25 May 2018 (the “**2018 Share Option Scheme**”) which was terminated on 16 June 2023. Please refer to the circulars of the Company dated 24 April 2018 and 26 April 2023 for details.

The Company adopted a share option scheme on 16 June 2023 (the “**2023 Share Option Scheme**”) to replace the 2018 Share Option Scheme. For details, please refer to the circular of the Company dated 26 April 2023.

## **PLEDGED ASSETS OF THE GROUP**

As at 31 December 2023, MAG has obtained a loan of AUD45.0 million (equivalent to approximately RMB218.2 million) from a bank for its operational needs and has secured by certain property, plant and equipment held by it with a carrying amount of AUD118.3 million (equivalent to approximately RMB543.5 million) as collateral.

As at 31 December 2023, a subsidiary of the Group had borrowed RMB10.2 million from a bank for the purchase of the office building, and has secured it by the purchased property (the carrying amount was RMB10.8 million) as collateral.

Save as disclosed above, during the year, there was no pledged asset of the Group.

## **SIGNIFICANT INVESTMENTS**

The Group did not have any significant investments during the year.

## **MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES**

The Group did not have any material acquisitions or disposals of subsidiaries, associates or joint ventures during the year.

## **FUTURE PLANS FOR MATERIAL INVESTMENTS AND CAPITAL ASSETS**

As at 31 December 2023, the Group did not have any future plans for material investments and capital assets.

## **SUBSEQUENT EVENTS**

Save as disclosed in this announcement, there was no important event which might affect the Group after 31 December 2023 and up to the date of this announcement.

## **DIVIDEND DISTRIBUTION**

At the Board meeting held on 26 March 2024, the Board recommended the payment of a final dividend for 2023 of HK\$0.150 per share (2022: HK\$0.100 per share), subject to approval by the shareholders of the Company (the “**Shareholders**”) at the annual general meeting of the Company (the “**AGM**”) to be held on 21 June 2024.

The final dividend will be paid on or before 11 July 2024.

## **ANNUAL GENERAL MEETING**

The AGM will be held by the Company on 21 June 2024 and a notice convening the AGM will be published and/or sent to the Shareholders in the manner as required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) (the “**Listing Rules**”) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

- (a) For the purpose of determining the qualification of the Shareholders to attend and vote at the AGM, the register of members of the Company will be closed from 18 June 2024 to 21 June 2024, both days inclusive. In order to qualify to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates are required to be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 17 June 2024.
- (b) For the purpose of determining the entitlement to the proposed final dividend (subject to the approval of the Shareholders at the AGM), the register of members of the Company will be closed from 27 June 2024 to 28 June 2024, both days inclusive. In order to qualify for the entitlement to the proposed final dividend, unregistered holders of shares of the Company are required to lodge all transfer documents accompanied by the relevant share certificates with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on 26 June 2024.

## CORPORATE GOVERNANCE PRACTICE

The Group is committed to maintaining high standards of corporate governance to safeguard the interests of the Shareholders and to enhance corporate value and accountability. The Company has adopted the Corporate Governance Code (the “**Corporate Governance Code**”) contained in Appendix C1 to the Listing Rules as its own code of corporate governance.

During the year ended 31 December 2023, the Company was in compliance with all applicable code provisions set out in the Corporate Governance Code, and has adopted most of the recommended best practices set out in the Corporate Governance Code.

## CHANGE OF DIRECTORS’ AND SENIOR MANAGEMENT’S INFORMATION

Reference is made to the announcement of the Company dated 10 February 2023. As a result of personal health reasons, Mr. Wu Zhihua (吳志華), resigned as an executive Director, and an authorised representative of the Company (the “**Authorised Representative**”) with effect from 10 February 2023. On the same day, Ms. Jin Keli (金科麗) was appointed as an Authorised Representative.

Reference is also made to the announcement of the Company dated 28 March 2023. Mr. Zeng Yiming (曾益明) resigned as a non-executive Director due to work adjustment and Mr. Liu Xingwei (劉興偉) (“**Mr. Liu**”) was appointed as a non-executive Director with effect from 28 March 2023. The Company entered into an appointment letter with Mr. Liu in relation to his appointment as a non-executive Director for a term of three years commencing on 28 March 2023 and subject to automatic renewal upon expiry, unless otherwise agreed in accordance with the appointment letter. Mr. Liu was eligible and was re-elected as a non-executive Director at the annual general meeting of the Company held on 16 June 2023.

Reference is also made to the announcement of the Company dated 29 May 2023. With effect from 1 June 2023, (i) Ms. Wu Aiping (吳愛萍) resigned as an independent non-executive Director, and a member of each of the audit committee (the “**Audit Committee**”), the remuneration committee (the “**Remuneration Committee**”) and the nomination committee (the “**Nomination Committee**”) of the Company due to her desire to devote more time to her personal affairs; and (ii) Mr. Jia Shenghua (賈生華) (“**Mr. Jia**”) was appointed as an independent non-executive Director, and a member of each of the Audit Committee, the Remuneration Committee and the Nomination Committee. The Company entered into an appointment letter with Mr. Jia in relation to his appointment as an independent non-executive Director for a term of three years commencing on 1 June 2023 and subject to automatic renewal upon expiry, unless otherwise agreed in accordance with the appointment letter. Mr. Jia was eligible and was re-elected as an independent non-executive Director at the annual general meeting of the Company held on 16 June 2023.



Mr. Poon Chiu Kwok (潘昭國), an independent non-executive Director, was appointed as an independent non-executive director of China Isotope & Radiation Corporation (the shares of which are listed on the Stock Exchange, stock code: 1763) on 30 June 2023, and resigned as an independent non-executive director of each of Yankuang Energy Group Company Limited (the shares of which are listed on the Stock Exchange, stock code: 1171) and Changan Minsheng APLL Logistics Co., Ltd. (the shares of which are listed on the Stock Exchange, stock code: 1292) on 30 June 2023, and resigned as an independent non-executive director of Yuanda China Holdings Limited (the shares of which are listed on the Stock Exchange, stock code: 2789) on 9 September 2023.

Save as disclosed above, the Directors confirmed that no other information is required to be disclosed pursuant to Rule 13.51B(1) of the Listing Rules.

## **AUDIT COMMITTEE AND REVIEW OF ANNUAL RESULTS**

The Company has established the Audit Committee. The Audit Committee currently consists of four members, namely Mr. Poon Chiu Kwok (Chairman), who acts as a professional accountant with related financial expertise, Mr. Wong Ka Yi, Mr. Li Feng and Mr. Jia Shenghua, and all of them are independent non-executive Directors. The primary duties of the Audit Committee are to review and supervise the Company's financial reporting process, risk management and internal controls and to perform other duties and responsibilities as assigned by the Board.

The consolidated financial statements of the Group for the year ended 31 December 2023 have been reviewed by the Audit Committee.

The financial figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated cash flow statement and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been compared by the Group's auditor, KPMG, Certified Public Accountants, to the amounts set out in the Group's consolidated financial statements for the year and the amounts were found to be in agreement. The work performed by KPMG in this respect did not constitute an audit, review or other assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the auditor.



## MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) as set out in Appendix C3 to the Listing Rules as its own code of conduct regarding securities transactions by the Directors. Specific enquiry has been made to all Directors and each of the Directors has confirmed that he/she has complied with the provisions set out in the Model Code throughout the year ended 31 December 2023.

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

During the year ended 31 December 2023, the Company has repurchased a total of 44,344,000 shares on the Stock Exchange with an aggregate amount of HK\$142,395,926.60, and 38,266,000 shares of which were cancelled on 29 December 2023.

Details of the shares repurchased during the year ended 31 December 2023 are set out as follows:

Month of repurchase	No. of shares repurchased by the Company	Price per share		Aggregate consideration paid <i>HK\$</i>
		Highest <i>HK\$</i>	Lowest <i>HK\$</i>	
August 2023	1,830,000	3.60	3.49	6,463,405.00
September 2023	12,258,000	3.60	3.37	42,823,394.80
October 2023	14,524,000	3.58	2.99	47,155,091.40
November 2023	5,654,000	3.23	3.05	17,848,555.80
December 2023	10,078,000	3.20	2.60	28,105,479.60

Save as disclosed above, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company’s listed securities.

## **PUBLICATION OF ANNUAL RESULTS ANNOUNCEMENT AND ANNUAL REPORT**

This annual results announcement is published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.lvchengfuwu.com](http://www.lvchengfuwu.com)). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be sent to the Shareholders and published on the above websites in due course.

By Order of the Board  
**Greentown Service Group Co. Ltd.**  
**YANG Zhangfa**  
*Chairman*

Hangzhou, the PRC  
26 March 2024

*As at the date of this announcement, the executive Directors are Mr. YANG Zhangfa (Chairman), Ms. JIN Keli and Mr. CHEN Hao; the non-executive Directors are Mr. SHOU Bainian, Ms. XIA Yibo, Ms. LI Hairong and Mr. LIU Xingwei; and the independent non-executive Directors are Mr. POON Chiu Kwok, Mr. WONG Ka Yi, Mr. LI Feng and Mr. JIA Shenghua.*

\* *For identification purposes only*