HEVOL SERVICES GROUP CO. LIMITED
和泓服務集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 6093)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the year ended 31 December 2023 increased by approximately 26.1% to approximately RMB1,313.3 million from approximately RMB1,041.2 million for the year ended 31 December 2022.

- Gross profit of the Group for the year ended 31 December 2023 increased by approximately 13.9% to approximately RMB336.2 million from approximately RMB295.3 million for the year ended 31 December 2022. Gross profit margin decreased to 25.6% for the year ended 31 December 2023 from 28.4% for the year ended 31 December 2022.

- Profit after income tax of the Group for the year ended 31 December 2023 increased by approximately 10.1% to approximately RMB114.1 million from approximately RMB103.6 million for the year ended 31 December 2022. Net profit margin decreased from 10.0% to 8.7% for the year ended 31 December 2023 as compared to the year ended 31 December 2022.

- Earnings per share attributable to equity shareholders of the Company amounted to RMB13.91 cents for the year ended 31 December 2023 (2022: RMB12.27 cents).

- Total contracted GFA of the Group for the year ended 31 December 2023 increased by approximately 3.7% to approximately 64.7 million sq.m. from approximately RMB62.4 million sq.m. for the year ended 31 December 2022. Total GFA under management for the year ended 31 December 2023 increased by approximately 8.6% to approximately 55.8 million sq.m. from approximately 51.4 million sq.m. for the year ended 31 December 2022.

The board (the "**Board**") of directors (the "**Directors**") of Hevol Services Group Co. Limited (the "**Company**") is pleased to announce the consolidated financial results of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 31 December 2023, together with the comparative figures for the year ended 31 December 2022.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2023

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	*3*	**1,313,283**	1,041,221
Cost of sales		**(977,067)**	(745,913)
Gross profit		**336,216**	295,308
Other income and gains and losses	*4*	**39,724**	16,220
Expected credit losses ("**ECL**") allowance on trade and other receivables, net		**(45,519)**	(46,976)
Administrative expenses		**(186,583)**	(145,810)
Finance costs	*5(a)*	**(1,380)**	(465)
Share of profit of associates		**12**	–
Profit before income tax	*5(b)*	**142,470**	118,277
Income tax expense	*6*	**(28,336)**	(14,713)
Profit for the year		**114,134**	103,564
Other comprehensive income for the year, net of nil tax			
Items that will not be reclassified subsequently to profit or loss:			
– Exchange differences on translation of the Company's financial statements into its presentation currency		**4,396**	22,155
Total comprehensive income for the year		**118,530**	125,719
Profit for the year attributable to:			
Equity shareholders of the Company		**77,899**	68,718
Non-controlling interests		**36,235**	34,846
		114,134	103,564
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**82,295**	90,873
Non-controlling interests		**36,235**	34,846
		118,530	125,719
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	*8*	**13.91**	12.27

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Non-current assets			
Property, plant and equipment		**23,581**	25,754
Intangible assets	*9*	**107,146**	127,496
Investment properties		**55,005**	40,483
Goodwill		**461,296**	481,533
Investments in associates		**412**	–
Other deposits	*10*	**25,329**	–
Deferred tax assets		**31,572**	29,460
		704,341	704,726
Current assets			
Inventories		**1,381**	1,619
Trade and other receivables	*10*	**565,332**	643,677
Financial assets at fair value through profit or loss		**3,180**	–
Restricted bank deposits		**34**	7,319
Bank balances and cash		**378,205**	275,922
		948,132	928,537
Current liabilities			
Bank borrowings		**16,500**	5,000
Contract liabilities	*3(a)*	**334,877**	295,689
Trade and other payables	*11*	**435,602**	554,088
Lease liabilities		**9,477**	3,767
Income tax liabilities		**9,079**	9,138
		805,535	867,682
Net current assets		**142,597**	60,855
Total assets less current liabilities		**846,938**	765,581
Non-current liabilities			
Bank borrowings		**38,500**	4,000
Other payables	*11*	**–**	20,000
Lease liabilities		**5,510**	3,324
Deferred tax liabilities		**25,622**	26,789
		69,632	54,113
Net assets		**777,306**	711,468

	Note	2023 RMB'000	2022 RMB'000
EQUITY			
Share capital	*12*	**38**	38
Reserves		**696,916**	614,621
Equity attributable to equity shareholders of the Company		**696,954**	614,659
Non-controlling interests		**80,352**	96,809
Total equity		**777,306**	711,468

NOTES

For the year ended 31 December 2023

1. GENERAL INFORMATION

Hevol Services Group Co. Limited (the "**Company**") was incorporated in the Cayman Islands on 28 May 2018 as an exempted company with limited liability under the Companies Law, Cap 22 (law 3 of 1961, as consolidated and revised) of the Cayman Islands. The address of the Company's registered office is P.O. Box 309, Ugland House, Grand Cayman KY1-1104, Cayman Islands.

The Company is an investment holding company and its subsidiaries (collectively, the "**Group**") are principally engaged in the provision of property management services and related value-added services in the People's Republic of China (the "**PRC**").

The Company's shares are listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**").

In the opinion of the directors, the immediate and ultimate holding company of the Company is Brilliant Brother Group Limited, a company incorporated in the British Virgin Islands ("**BVI**"). The controlling shareholder of the Company is Mr. Liu Jiang ("**Mr. Liu**" or the "**Controlling Shareholder**").

The functional currency of the Company is Hong Kong Dollars ("**HK$**"), while the consolidated financial statements are presented in thousands of Renminbi ("**RMB'000**"), unless otherwise stated. The consolidated financial statements are presented in RMB as in the opinion of the directors of the Company, it presents more relevant information to the management who monitors the performance and financial position of the Group based on RMB.

The consolidated financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 28 March 2024.

2. BASIS OF PREPARATION

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and International Accounting Standards and Interpretations (collectively "**IFRS Accounting Standards**") issued by the International Accounting Standards Board ("**IASB**"). The consolidated financial statements also comply with the applicable disclosure requirements of the Hong Kong Companies Ordinance and include the applicable disclosure requirements of the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at fair value.

It should be noted that accounting estimates and assumptions are used in the preparation of these consolidated financial statements. Although these estimates are based on the management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates.

New and amended IFRS Accounting Standards and changes in accounting policies

The IASB has issued the following new and amendments to IFRS Accounting Standards that are first effective for the current accounting period of the Group:

- IFRS 17 Insurance Contracts;
- Disclosure of Accounting Policies (Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements);
- Definition of Accounting Estimates (Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors);
- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12 Income Taxes); and
- International Tax Reform – Pillar Tax Model Rules (Amendments to IAS 12 Income taxes) (effective immediately upon the issue of the amendments and retrospectively).

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the new and amended IFRS Accounting Standards are discussed below:

IFRS 17, Insurance Contracts

IFRS 17 was issued by the IASB in 2017 and replaces IFRS 4 for annual reporting period beginning on or after 1 January 2023.

IFRS 17 introduces an internationally consistent approach to the accounting for insurance contracts. Prior to IFRS 17, significant diversity has existed worldwide relating to the accounting for and disclosure of insurance contracts, with IFRS 4 permitting many previous accounting approaches to be followed.

Since IFRS 17 applies to all insurance contracts issued by the entity (with limited scope exclusive), its adoption may have an effect on non-insurers such as the Group. The Group carried out an assessment of its contracts and operations and concluded that the adoption of IFRS 17 has had no effect on the annual consolidated financial statements of the Group.

Disclosure of Accounting Policies (Amendments to IAS, Presentation of Financial Statements and IFRS Practice Statement 2, Making Materiality Judgements)

The amendments aim to make accounting policy disclosures more informative by requiring entities to disclose material accounting policy information and provide guidance on applying the concept of materiality to accounting policy disclosure.

These amendments have no effect on the measurement or presentation of any items in the consolidated financial statements of the Group but affect the disclosure of accounting policies of the Group.

Definition of Accounting Estimates (Amendments to IAS 8, Accounting Policies, Changes in Accounting Estimates and Errors)

The amendments to IAS 8 provide further guidance on the distinction between changes in accounting policies and changes in accounting estimates. The amendments do not have a material impact on these consolidated financial statements as the Group's approach in distinguishing changes in accounting policies and changes in accounting estimates is consistent with the amendments.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to IAS 12, Income Taxes)

The IASB issued amendments to IAS 12, which clarify whether the initial recognition exemption applies to certain transactions that result in both an asset and a liability being recognised simultaneously (e.g. a lease in the scope of IFRS 16). The amendments introduce an additional criterion for the initial recognition exemption, whereby the exemption does not apply to the initial recognition of an asset or liability which at the time of the transaction, gives rise to equal taxable and deductible temporary differences.

These amendments had no effect on the consolidated financial statements of the Group.

International Tax Reform – Pillar Tax Model Rules (Amendments to IAS 12, Income Taxes)

The amendments introduce a temporary mandatory exception from deferred tax accounting for the income tax arising from tax laws enacted or substantively enacted to implement the Pillar Two Model Rules published by the Organisation for Economic Co-operation and Development ("**OECD**") (income tax arising from such tax laws is hereafter referred to as "**Pillar Two income taxes**"), including tax laws that implement qualified domestic minimum top-up taxes described in those rules. The amendments also introduce disclosure requirements about such tax including the estimated tax exposure to Pillar Two income taxes.

Management of the Group has determined that the Group is not within the scope of OECD's Pillar Two Model Rules and the exception to the recognition and disclosure of information about deferred tax assets and liabilities related to Pillar Two income taxes is not applicable to the Group.

Issued but not effective IFRSs

Up to the date of issue of these consolidated financial statements, the IASB has issued a number of amendments to IFRS Accounting Standards, which are not yet effective for the year ended 31 December 2023 and which have not been early adopted in these consolidated financial statements. These developments include the following which may be relevant to the Group:

	Effective for accounting periods beginning on or after
Classification of Liabilities as Current or Non-current (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
Non-current Liabilities with Covenants (Amendments to IAS 1 Presentation of Financial Statements)	1 January 2024
Lease Liability in a Sale and Leaseback (Amendments to IFRS 16 Leases)	1 January 2024
Supplier Finance Arrangements (Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures)	1 January 2024
Lack of Exchangeability (Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rate)	1 January 2025

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far the director considered that the adoption of these amendments is unlikely to have a material impact on the consolidated financial statements.

3. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added services and leasing services in the PRC. This operating segment has been identified on the basis of internal management reports reviewed by the chief operating decision-maker (the "**CODM**"), being the executive directors of the Company. The CODM reviews the operating results of the business as one segment to make decisions about resources to be allocated. Therefore, the executive directors of the Company regard that there is only one segment which is used to make strategic decisions.

An analysis of the Group's revenue is as follows:

	2023	2022
	RMB'000	*RMB'000*
Revenue from external customers and recognised over time		
Property management services	**987,472**	779,422
Community value-added services	**243,069**	172,569
Value-added services to non-property owners	**72,275**	85,392
	1,302,816	1,037,383
Leasing income (not within the scope of IFRS 15)	**10,467**	3,838
	1,313,283	1,041,221

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2023 and 2022, substantially all of the non-current assets (other than deferred tax assets) of the Group were located in the PRC.

Information about major customers

For the year ended 31 December 2023, revenue from companies controlled by the Controlling Shareholder contributed 3.1% (2022: 5.0%) of the Group's revenue. Other than companies controlled by the Controlling Shareholder, the Group had a large number of customers and none of whom contributed 10% or more of the Group's revenue for the year ended 31 December 2023 and 2022.

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities as at 31 December:

	2023	2022
	RMB'000	*RMB'000*
Contract liabilities	**334,877**	295,689

Contract liabilities of the Group mainly arise from the advance payments made by customers while the underlying services are yet to be provided. Increase in contract liabilities as a result from the growth of the Group's business and more advance payments were made by the property owners.

b) ***Revenue recognised in relation to contract liabilities***

The following table shows the revenue recognised related to brought-forward contract liabilities.

	2023	2022
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	**232,164**	157,929
Community value-added services	**15,661**	10,926
Value-added services to non-property owners	**474**	145
	248,299	169,000

c) ***Unsatisfied performance obligations***

For property management services, the Group recognises revenue in the amount that equals to the right to invoice which correspond directly with the value to the customer of the Group's performance to date, on a monthly basis. The Group has elected the practical expedient for not to disclose the remaining performance obligation for these types of contracts. The term of the contracts for value-added services to non-property owners is generally set to expire when the counterparties notify the Group that the services are no longer required.

For community value-added services, they are rendered in short period of time and there is no material unsatisfied performance obligation at the reporting date.

4. OTHER INCOME AND GAINS AND LOSSES

	2023	2022
	RMB'000	*RMB'000*
Government subsidy income *(note)*	**5,240**	7,351
Recovery of bad debts	**43,766**	5,502
Bank interest income	**420**	1,203
Sundry income	**2,438**	1,944
Fair value gain on financial assets at FVTPL	**18**	87
Gain on disposal of property, plant and equipment	**81**	133
Loss on disposal of a subsidiary	**(14,024)**	–
Gain on disposal of investment properties	**986**	–
Gain on bargain purchase	**799**	–
	39,724	16,220

Note:

During the years ended 31 December 2023 and 2022, government subsidy income mainly related to cash subsidies granted by the PRC government in respect of value-added tax relief and in support of the Group's operating activities which are either unconditional or with conditions that having been satisfied.

5. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging:

		2023	2022
		RMB'000	*RMB'000*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	**423**	245
	Finance costs on interest-bearing bank borrowings	**957**	220
		1,380	465
(b)	**Other items**		
	Auditor's remuneration	**2,480**	2,400
	Amortisation of intangible assets *(note 9)*	**16,273**	13,569
	Depreciation of property, plant and equipment		
	– Owned assets	**5,105**	4,654
	– Right-of-use assets	**3,541**	3,414
	Depreciation of investment properties		
	– Owned assets	**3,858**	1,110
	– Right-of-use assets	**2,435**	–
	Legal and professional fees	**14,916**	12,026

6. INCOME TAX EXPENSE

	2023	2022
	RMB'000	*RMB'000*
Current tax – PRC enterprise income tax		
Current year	**31,719**	25,055
Under/(over)-provision in prior years	**205**	(2,712)
	31,924	22,343
Deferred tax		
Credited to profit or loss for the year	**(3,588)**	(7,630)
Total income tax expense	**28,336**	14,713

Notes:

(a) Cayman Islands income tax

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law and accordingly, is exempted from Cayman Islands income tax.

(b) BVI income tax

Pursuant to the relevant rules and regulations of BVI, the Group is not subject to any income tax in BVI for the years ended 31 December 2023 and 2022.

(c) Hong Kong profits tax

No provision for Hong Kong Profits Tax has been made as the Company has no assessable profits arising in Hong Kong in the current and prior years.

(d) PRC enterprise income tax

The income tax provision of certain PRC entities of the Group has been calculated at the statutory tax rate of 25% on the estimated assessable profits for the years ended 31 December 2023 and 2022, based on the existing legislation, interpretations and practices in respect thereof.

The preferential income tax rate applicable to certain of the Group's PRC entities within the scope of the China's Western Development Program and Hainan Free Trade Port Program was 15% for the years ended 31 December 2023 and 2022.

Pursuant to the relevant laws and regulation in the PRC, certain of the Group's PRC entities which are qualified as small low-profit enterprises enjoyed a preferential tax rate of 20% for the years ended 31 December 2023 and 2022. In addition, in accordance with the "Notice on Preferential Income Tax Policies Applicable to Small Low-profit Enterprises", the small and low-profit enterprises are entitled to a tax concession for 75% and 50% of its taxable income for the annual taxable income of less than RMB1,000,000 and the portion that exceeds RMB1,000,000 but does not exceed RMB3,000,000 (inclusive) for the years ended 31 December 2023 and 2022, respectively.

(e) PRC withholding income tax

According to the relevant laws and regulations in the PRC, the Group is also liable to a 10% withholding tax on dividends to be distributed from the Group's foreign-invested enterprises in the PRC in respect of its profits generated from 1 January 2008. If a foreign investor incorporated in Hong Kong meets the conditions and requirements under the double taxation treaty arrangement entered into between the PRC and Hong Kong, the relevant withholding tax rate will be reduced from 10% to 5%.

7. DIVIDENDS

The directors do not recommend the payment of a final dividend for the year ended 31 December 2023 (2022: Nil).

8. EARNINGS PER SHARE

a) Basic earnings per share

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

	2023	2022
Profit attributable to equity shareholders of the Company *(RMB'000)*	**77,899**	68,718
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**560,000**	560,000
Basic earnings per share *(expressed in RMB cents)*	**13.91**	12.27

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2023 and 2022 equals to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

9. INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2022			
Opening net carrying amount	79,276	5,939	85,215
Acquisition of subsidiaries	54,763	85	54,848
Additions	–	1,196	1,196
Disposal	–	(194)	(194)
Amortisation	(11,874)	(1,695)	(13,569)
Closing net carrying amount	122,165	5,331	127,496
At 31 December 2022			
Cost	142,165	10,356	152,521
Accumulated amortisation	(20,000)	(5,025)	(25,025)
Net carrying amount	122,165	5,331	127,496

	Customer relationships ***RMB'000***	**Computer software** ***RMB'000***	**Total** ***RMB'000***
Year ended 31 December 2023			
Opening net carrying amount	**122,165**	**5,331**	**127,496**
Acquisition of subsidiaries	**2,327**	**–**	**2,327**
Disposal of a subsidiary	**(6,506)**	**–**	**(6,506)**
Additions	**–**	**102**	**102**
Amortisation	**(14,598)**	**(1,675)**	**(16,273)**
Closing net carrying amount	**103,388**	**3,758**	**107,146**
At 31 December 2023			
Cost	**137,986**	**10,458**	**148,444**
Accumulated amortisation	**(34,598)**	**(6,700)**	**(41,298)**
Net carrying amount	**103,388**	**3,758**	**107,146**

Amortisation charges recognised is analysed as follows:

	2023 ***RMB'000***	2022 *RMB'000*
Administrative expenses	**16,273**	13,569

10. TRADE AND OTHER RECEIVABLES

	Notes	2023 RMB'000	2022 RMB'000
Trade receivables	*(a)*		
– Third parties		**397,572**	382,025
– Related parties		**77,094**	106,845
		474,666	488,870
Less: ECL allowance on trade receivables		**(86,364)**	(67,766)
		388,302	421,104
Other receivables	*(b)*		
Deposits and other receivables		**72,685**	88,319
Other deposits		**117,301**	109,693
Payment on behalf of property owners		**5,551**	13,459
Advances to employees		**3,788**	4,111
		199,325	215,582
Less: ECL allowance on other receivables		**(7,235)**	(2,029)
		192,090	213,553
Prepayments		**10,269**	9,020
		202,359	222,573
Less: other deposits classified as non-current assets (net of ECL allowance of RMB3,709,000)		**(25,329)**	–
		177,030	222,573
		565,332	643,677

a) **Trade receivables**

Trade receivables mainly arise from property management services and value-added services.

Property management services income are received in accordance with the term of the relevant property service agreements. Service income is due for payment upon rendering of services.

The ageing analysis of trade receivables based on invoice date, net of ECL allowance, is as follows:

	2023	2022
	RMB'000	*RMB'000*
0 – 90 days	**89,610**	99,294
91 – 180 days	**61,467**	57,481
181 – 365 days	**99,659**	97,460
1 to 2 years	**87,585**	104,675
2 to 3 years	**26,603**	43,917
Over 3 years	**23,378**	18,277
	388,302	421,104

The movement in the ECL allowance on trade receivables is as follows:

	2023	2022
	RMB'000	*RMB'000*
Balance at the beginning of the year	**67,766**	19,523
Disposal of a subsidiary	**(6,028)**	–
Bad debts written off	**(15,321)**	–
ECL allowance recognised, net	**39,947**	48,243
Balance at the end of the year	**86,364**	67,766

The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors.

The Group did not hold any collateral as security or other credit enhancements over the impaired trade receivables, whether determined on an individual or collective basis.

As at 31 December 2023, certain of the Group's trade receivables amounted to RMB70,000,000 (2022: RMB Nil) were pledged as securities of the Group's bank borrowings of RMB40,000,000.

During the year ended 31 December 2023, certain trade debtors agreed to transfer the legal title of their owned properties to the Group in settlement of their outstanding trade receivables owed to the Group totalling to RMB6,200,000. The fair value of these properties at the dates of transfer approximates the carrying amount of these trade receivables.

The Group also signed several tripartite agreements with its trade debtors and trade creditors during the year ended 31 December 2023, pursuant to which the Group agreed to assign to these creditors the entire rights, titles and interests in and to the outstanding debts in total of RMB55,091,000 owed by these debtors by offsetting against the Group's trade payables owed to these creditors.

In addition, the Group made partial settlement of the consideration payables in respect of the acquisition of Chongqing Xinlongxin by assigning its entire rights, titles and interests in and to certain of its trade receivables amounted to RMB36,911,000 to the vendor during the year ended 31 December 2023 (note 11(ii)).

b) Other receivables

Payment on behalf of property owners

The balance mainly represents the payments on behalf of property owners in respect of utilities and maintenance costs of the properties.

Advances to employees

Advances to employees mainly represent advances for various expenses to be incurred in the ordinary course of business.

Other deposits

Other deposits mainly represent deposits paid to government or property developers at the inception of entering into tenders for property management services contracts.

ECL allowance on other receivables measured at amortised cost

Impairment of other receivables from third parties (excluding prepayments) are assessed collectively and individually and measured as either 12-month ECL or lifetime ECL, depending on whether there has been a significant increase in credit risk since initial recognition. Impairment of amounts due from related parties was limited to 12-month ECL since the related parties have a strong capacity to meet its contractual cash flow in the near term.

11. TRADE AND OTHER PAYABLES

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Trade payables			
– Third parties	*(a)*	**128,400**	123,448
Other payables			
Accrued charges and other payables		**104,463**	169,650
Consideration payables	*(ii)*	**6,089**	59,138
Financial guarantees issued	*(i)*	**5,721**	18,439
Renovation deposits collected from property owners		**68,055**	75,074
Amounts collected on behalf of property owners		**31,008**	35,362
Other tax liabilities		**31,939**	25,975
Staff costs and welfare accruals		**59,927**	67,002
		307,202	450,640
Less non-current portion:			
Consideration payable		**–**	(20,000)
		307,202	430,640
		435,602	554,088

Notes:

(i) In prior years, Guizhou Huaxin Financing Guarantee Co., Ltd (“**Guizhou Huaxin**”), an independent third party, which was engaged in provision of financial services, had entered into certain financial guarantee contracts to provide financial guarantees to independent third parties borrowers (“**Independent Borrower**”) in relation to the bank borrowings obtained by the Independent Borrowers from certain PRC banks. A subsidiary of the Company, Guiyang Xinglong, had also entered into financial guarantee contracts with Guizhou Huaxin and the PRC banks to provide financial guarantees to Guizhou Huaxin. Pursuant to the terms of the above guarantees, upon default of bank borrowings by the Independent Borrowers, Guizhou Huaxin and Guiyang Xinglong are jointly and severally liable for the repayment of the outstanding principal together with accrued interest and penalties (the “**Default Payment**”) owed by the Independent Borrowers to the PRC banks. The guarantees periods start from the date of grant of the bank borrowings to expiry of the financial guarantee contracts. Pursuant to the sale and purchase agreement of the Group’s acquisition of Guiyang Xinglong, the vendor had undertaken to indemnify the Group against any losses arising from the litigations and claims against Guiyang Xinglong which had been incurred before the acquisition date. As at 31 December 2022, there were three financial guarantee contracts outstanding with maximum exposure amounted to RMB18,439,000. According to the final court orders issued in respect of two financial guarantee contracts during the year, the Group has to undertake the repayment of total amount of RMB12,718,000 to the PRC banks in respect of the two financial guarantee contracts. The vendor of Guiyang Xinglong has indemnified the Group for the total loss of RMB12,718,000 undertook by the Group by offsetting this amount against the outstanding consideration payable to the vendor amounted to RMB6,534,000 and by cash settlement of the remaining balance of RMB6,184,000 to the Group. As at 31 December 2023, the maximum exposure of the remaining financial guarantee contract is RMB5,721,000 and the financial liabilities relating to this remaining financial guarantee contract of RMB5,721,000 was recognised in the consolidated statement of financial position.

As at 31 December 2022, restricted bank deposits included balances of RMB6,794,000 which have been frozen by the PRC court pending the outcome of the legal proceedings initiated by PRC banks relating to certain bank borrowing contracts which related to the two financial guarantee contracts issued by Guiyang Xinglong. Upon the final settlement of these two financial guarantee contracts during the year as detailed above, these restricted bank balances were released as at 31 December 2023.

(ii) As at 31 December 2022, the consideration payables in respect of the acquisition of Chongqing Xinlongxin and Guiyang Xinglong amounted to RMB43,000,000 and RMB16,138,000 respectively.

As detailed in note 10(a), the Group made partial settlement of the consideration payables in respect of the acquisition of Chongqing Xinlongxin during the year by assigning to the vendor the entire rights, titles and interests in and to certain trade receivables of the Group of RMB36,911,000. As at 31 December 2023, the remaining consideration payables to the vendor of Chongqing Xinlongxin amounted to RMB6,089,000.

During the year, the Group fully settled the consideration payables in respect of the acquisition of Guiyang Xinglong by (i) settlement of tax expenses of RMB7,500,000 related to this acquisition on behalf of the vendor; (ii) offsetting the amount of the indemnification of financial guarantee contracts of RMB6,534,000 (note (i) above) and (iii) cash settlement of the remaining balance of RMB2,104,000.

(a) Trade payables

The Group was granted by its suppliers credit periods ranging from 30 to 90 days. The ageing analysis of trade payables based on invoice date is as follows:

	2023	2022
	RMB’000	*RMB’000*
0 to 30 days	**59,310**	43,522
31 to 180 days	**48,670**	49,561
181 to 365 days	**12,462**	20,339
Over 1 year	**7,958**	10,026
	128,400	123,448

12. SHARE CAPITAL

	Number of shares	Nominal value of shares *United States dollar (“**US$**”)*
Authorised:		
Ordinary shares of the Company:		
Ordinary shares at 1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	5,000,000,000	50,000

	Number of shares	Nominal value of shares *US$*	Equivalent nominal value of shares *RMB’000*
Issued and fully paid:			
Ordinary shares of the Company:			
1 January 2022, 31 December 2022, 1 January 2023 and 31 December 2023	**560,000,000**	**5,600**	**38**

13. SHARE OPTION SCHEME

On 14 June 2019 (the “**Adoption Date**”), the Company adopted a share option scheme (the “**Share Option Scheme**”). The purpose of the Share Option Scheme is to provide selected participants with the opportunity to acquire proprietary interests in the Company and to encourage the selected participants to work towards enhancing the value of the Company and the shareholders as a whole.

The Share Option Scheme is valid and effective for a period of 10 years commencing on the Adoption Date unless terminated earlier by the shareholders in general meeting.

The maximum number of shares issuable upon exercise of all options to be granted under the Share Option Scheme must not in aggregate exceed 10% of the total number of shares in issue.

No option of the Company was granted to the Company’s employees and other eligible participants since the Adoption Date and up to the end of the reporting period.

14. COMMITMENTS

a) Lease commitments

The Group had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	2023	2022
	RMB'000	*RMB'000*
Within one year	**1,479**	686
After one year but within two years	**686**	686
After two years but within three years	**343**	686
After three years but within four years	**–**	343
	2,508	2,401

b) Capital commitments

Capital commitments outstanding at the end of the reporting period not provided for were as follows:

	2023	2022
	RMB'000	*RMB'000*
Capital injection to subsidiaries	**3,510**	–
Capital injection to associates	**960**	–
	4,470	–

15. ACQUISITION OF SUBSIDIARIES

a. During the year ended 31 December 2023, the Group acquired two subsidiaries from a related party and an independent third party.

i. Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration transferred *RMB'000*
Zhumadian Xiandai Property Management Company Limited ("**Zhumadian**") (駐馬店市現代物業管理有限公司)	Provision of property management services and related value-added services	2 July 2023	100%	–*
Sichuan Renjun Property Service Company Limited ("**Sichuan Renjun**") (四川仁郡物業服務有限公司)	Provision of property management services and related value-added services	17 August 2023	100%	6,000

* Represents amount less than RMB1,000.

ii. Fair value of the identifiable assets and liabilities of the subsidiaries acquired at the respective acquisition dates

	Zhumadian *RMB'000*	Sichuan Renjun *RMB'000*	Total *RMB'000*
Property, plant and equipment	–	56	56
Intangible assets	–	2,327	2,327
Deferred tax assets	7	–	7
Trade and other receivables, net of ECL allowance	1,713	2,905	4,618
Prepayments	–	19	19
Bank balances and cash	107	7,963	8,070
Contract liabilities	(1,007)	(3,297)	(4,304)
Trade and other payables	(740)	(2,899)	(3,639)
Income tax liabilities	(10)	(38)	(48)
Deferred tax liabilities	–	(307)	(307)
Total identifiable net assets acquired	70	6,729	6,799

iii. Goodwill arising on acquisitions

	Zhumadian *RMB'000*	Sichuan Renjun *RMB'000*	Total *RMB'000*
Cash considerations	–*	6,000	6,000
Less: Fair value of identifiable net assets	(70)	(6,729)	(6,799)
Gain on bargain purchase	(70)	(729)	(799)

* Represents amount less than RMB1,000.

None of the negative goodwill arising on these acquisitions is expected to be taxable for tax purposes.

iv. **Net cash inflow on acquisition of subsidiaries**

	RMB'000
Total cash considerations	6,000
Cash consideration paid	(6,000)
Bank balances and cash acquired	8,070
	8,070

v. **Impact on acquisitions on the results of the Group**

Included in the profit for the year ended 31 December 2023 is profit of RMB413,000 attributable to the additional business generated by Zhumadian and profit of RMB1,607,000 attributable to Sichuan Renjun. Revenue for the year ended includes RMB2,091,000 in respect of Zhumadian and RMB4,041,000 in respect of Sichuan Renjun.

If the acquisitions had occurred on 1 January 2023, the Group's revenue and profit for the year ended 31 December 2023 would have been RMB1,319,497,000 and RMB114,991,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2023, nor is it intended to be a projection of future results.

b. During the year ended 31 December 2022, the Group acquired two subsidiaries from independent third parties.

i. Subsidiaries acquired

	Principal activities	Date of acquisition	Proportion of shares acquired	Cash consideration transferred
				RMB'000
Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**") (遵義市金寧物業管理有限公司)	Provision of property management services and related value-added services	10 April 2022	68.75%	91,450
Chongqing Xinlongxin Property Management Co., Ltd. ("**Chongqing Xinlongxin**") (重慶新隆信物業管理有限公司)	Provision of property management services and related value-added services	23 October 2022	100%	100,000

ii. Fair value of the identifiable assets and liabilities of the subsidiaries acquired at the respective acquisition dates

	Zunyi Jinning	Chongqing Xinlongxin	Total
	RMB'000	*RMB'000*	*RMB'000*
Property, plant and equipment	187	939	1,126
Intangible assets	26,242	28,606	54,848
Investment properties	–	12,825	12,825
Deferred tax assets	3,424	9,932	13,356
Trade and other receivables,net of ECL allowance	58,827	136,388	195,215
Inventories	267	545	812
Bank balances and cash	12,456	10,229	22,685
Contract liabilities	(18,615)	(47,551)	(66,166)
Trade and other payables	(18,320)	(174,300)	(192,620)
Long-term borrowings	–	(5,000)	(5,000)
Income tax liabilities	(7,067)	(2,515)	(9,582)
Deferred tax liabilities	(3,936)	(4,278)	(8,214)
Total identifiable net assets/ (liabilities) acquired	53,465	(34,180)	19,285

iii. Non-controlling interest

The non-controlling interests in Zunyi Jinning of 31.25% at the acquisition dates were measured by reference to the respective proportionate share of the recognised amount of net assets of Zunyi Jinning of RMB16,707,000.

iv. Goodwill arising on acquisitions

	Zunyi Jinning	Chongqing Xinlongxin	Total
	RMB'000	*RMB'000*	*RMB'000*
Cash considerations	91,450	100,000	191,450
Fair value of identifiable net assets/(liabilities)	(53,465)	34,180	(19,285)
Non-controlling interests	16,707	–	16,707
Goodwill arising on acquisition	54,692	134,180	188,872

Goodwill arose in the acquisitions of Zunyi Jinning and Chongqing Xinlongxin as the considerations transferred included a control premium. In addition, the considerations transferred effectively included amounts in relation to the benefit of expected synergies, revenue growth, future market development and the assembled workforce of Zunyi Jinning and Chongqing Xinlongxin. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets.

None of the goodwill arising on these acquisitions is expected to be deductible for tax purposes.

v. Net cash outflow on acquisitions of subsidiaries

	RMB'000
Total cash considerations	191,450
Cash deposit paid as at 31 December 2021	(52,250)
Deferred consideration included in other payables as at 31 December 2022 *(note)*	(43,000)
Bank balances and cash acquired	(22,685)
	73,515

Note:

Part of the consideration payable for the acquisition of Chongqing Xinlongxin amounting to RMB43,000,000 were included in other payables as at 31 December 2022.

vi. Impact on acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2022 is profit of RMB14,821,000 attributable to the additional business generated by Zunyi Jinning and profit of RMB4,334,000 attributable to Chongqing Xinlongxin. Revenue for the year ended includes RMB90,980,000 in respect of Zunyi Jinning and RMB40,631,000 in respect of Chongqing Xinlongxin.

If the acquisitions had occurred on 1 January 2022, the Group's revenue and profit for the year ended 31 December 2022 would have been RMB1,232,449,000 and RMB107,998,000 respectively. This pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 January 2022, nor is it intended to be a projection of future results.

CHAIRMAN’S STATEMENT

Dear shareholders,

On behalf of the board of directors of Hevol Services Group Co. Limited, I am pleased to present the results announcement of the Company for the year ended 31 December 2023 (the “**Reporting Period**”).

ADVANCING INTO SOUTHWESTERN CHINA AND EMBARKING ON A NEW JOURNEY

The year of 2023 is a historic year for the Group as the Group set up its operation headquarters in Chengdu, and established a dual-headquarters operation model in Beijing and Chengdu. Relying on the solid economic foundation and property market with huge potential in China’s southwestern provinces, the Company focused on developing market and expanding business, increased market share, enhanced scale effect, optimized regional layout, and improved regional service ability and market competitiveness. Meanwhile, under the Group’s strategic principle of “four unwaverings” – unwavering adherence to the three-year development plan, unwavering commitment to service quality foundations, unwavering adherence to third-party entrustment development and unwavering adherence to the principle of benefit sharing, the Group has successfully fought the three major battles of “quality, expansion and value-adding” and achieved excellent results during the year, with sustained and steady growth in operation revenue, profitability and management scale.

For the twelve months ended 31 December 2023, Hevol Services Group Co., Limited and its subsidiaries achieved revenue of approximately RMB1,313.3 million, representing an increase of approximately 26.1% over the same period in 2022; in particular, the revenue from property management services amounted to approximately RMB987.5 million, representing a year-on-year increase of approximately 26.7%; the revenue from community value-added services amounted to approximately RMB253.5 million, representing a year-on-year increase of approximately 43.7%; the revenue from value-added services to non-property owners amounted to approximately RMB72.3 million, representing a year-on-year decrease of approximately 15.4%; the Group’s gross profit was approximately RMB336.2 million, representing an increase of approximately 13.9% over the same period in 2022.

During the year, the Group realized net profit of about RMB114.1 million, an increase of approximately 10.1% compared with the same period in 2022. The net profit attributable to shareholders of the Company amounted to about RMB77.9 million, an increase of approximately 13.4% compared with the same period in 2022. The basic earnings per share was approximately RMB13.91 cents.

As of December 31, 2023, the Group had a total number of 335 projects under management, with a total gross floor area (GFA) of approximately 55.8 million sq.m., an increase of approximately 8.6% compared with approximately 51.4 million sq.m. by the end of 2022, of which the Southwestern China GFA was approximately 29.6 million sq.m., accounting for approximately 53.0% of the total GFA under management. The Group had contracted a total of 359 projects, with a total contracted GFA of approximately 64.7 million sq.m., an increase of approximately 3.7% compared with approximately 62.4 million sq.m. by the end of 2022.

SOLIDIFYING QUALITY STANDARDS AND ENHANCING CUSTOMER EXPERIENCE

Following China's emphasis on grass-roots management and community service, the property service boundaries have been gradually extended, and the property industry has entered the stage of independent development. The property management enterprises have returned to pursuing high-quality services. As a member of the Top 100 property management enterprises, the Group adheres to strategic policy of "unwavering commitment to service quality foundations", and has improved the "five-enjoyment service system": strengthened the service contact points management, and provided refined, professional and intelligent property services for property owners, in order that owners may have the best service experience and security. Through five-level inspections, the Group continuously summed up experience to consolidate basic service foundations. The Group adheres to the initial aspiration in service, understands the essence of service, and practices quality management throughout the organization, and strives to realize the service concept of "A Happy Life With Hevol".

STEADY EXPANSION TO ACHIEVE BUSINESS DIVERSIFICATION

Following the orderly development of the property management industry promoted by policies, local communities actively responded by establishing property owner committees, and the property services in existing market showed a positive trend of openness and marketization. The Group attached great importance to the third-party entrustment market development, seized industry opportunities, strengthened its position in existing markest through the continuous accumulation of industry experience and focus on service quality, and achieved steady growth in scale. In 2023, the Group optimized its business processes, improved its training and incentive system, and provided strong support for third-party entrustment business expansion. On the management front, the Group constantly explored new fields and business models, improved the professional service capabilities across niche segments, and further diversifies it business through comprehensive enhancement. The Group aspires to become a comprehensive property services provider.

FOCUSING ON THE NEEDS OF PROPERTY OWNERS AND REFINING HOUSE-AND-CAR SERVICES

Through years of operational experience, the Group has established value-added service systems featuring services like home life, house rental and sales, home furnishing, community tours, community retail, constantly enriched service categories according to property owners' needs in daily life to improve their satisfaction. During the year, the Group clearly defined the house-and-car business as the core of value-added services, and built a house-themed housekeeper service system focusing on property owners' needs such as house replacement, rental, renovation, home renewal, as well as a car-themed housekeeper service system focusing on the needs of car wash and care, maintenance and repair. With a professional and pragmatic attitude, the Company continued to refine the value-added services and improve service quality.

A new journey has begun. The Group will continuously improve service quality and create a beautiful and comfortable living environment for property owners, enrich community value-added services categories to meet property owners' needs. The Group will strengthen the third-party entrustment market expansion and steadily expand the business scale, adhere to the path of high-quality development and create greater return on investment for shareholders.

Finally, on behalf of the Board, I would like to extend my gratitude to all shareholders, business partners, property owners, customers and suppliers for their long-term support and trust to the Group, and also the management and all staff for their hard work and contribution to the Group.

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 28 March 2024

INDUSTRY REVIEW

The year of 2023 is the first year to fully implement the spirit of the 20th National Congress of the China Communist Party, and the year of economic recovery and development after three years of COVID-19 pandemic prevention and control. Under constant pressure, China has embarked on a road of economic recovery and achieved remarkable results. As the overall economy gains momentum, the property service industry has made steady progress on the road of exploring high-quality development. On December 27th, 2023, the National Development and Reform Commission issued the Catalogue for Guiding Industrial Restructuring (2024 Edition), and the property service industry has been adjusted from the previous categorization of "Encouraged – Other Services" to "Encouraged – Business Services". This further clarifies the positioning and nature of the industry, demonstrating continued strong support from the national government for the property sector. As an important sector that is close to residents and serves society, property service enterprises will have broader development opportunities going forward, and the Group will always adhere to the service concept of "A Happy Life With Hevol" and continue to provide property owners and customers with more quality services.

BUSINESS REVIEW

The Group is a renowned market player in the property management industry in China, and has been engaged in property management services for more than 22 years. Leveraging on its comprehensive strength in property management services, the Group has won the title of "Top 100 Property Services Enterprises in China" issued by China Index Academy for consecutive years, and its comprehensive ranking rose from 32nd in 2022 to 29th in 2023. During the year, the Group won multiple awards such as "2023 Top 2 Growing Listed Property Enterprise in China", "2023 Top 5 Independently Developed Listed Property Enterprise in China", "2023 Leading Property Service Quality Brand in China", "2023 Leading Property Value-added Service Operation Enterprise in China" and "2023 Leading Tech-Empowered Property Management Enterprise in China".

As of 31 December 2023, the Group provided property management services, community value-added services and value-added services to non-property owners in 42 cities in 17 provinces and municipalities in China, with a total number of 359 contracted projects and a total gross floor area ("**GFA**") of approximately 64.7 million sq.m. (2022: 62.4 million sq.m.). The total number of projects under management amounted to 335, with a total GFA of approximately 55.8 million sq.m. (2022: 51.4 million sq.m.). The Group maintained a steady growth in total contracted GFA and GFA under management.

As of 31 December 2023, the Group recorded revenue of approximately RMB1,313.3 million, representing an increase of approximately 26.1% compared to the same period in 2022; gross profit of approximately RMB336.2 million, representing an increase of approximately 13.9% compared to the same period in 2022. The Group recorded net profit after tax for the twelve months ended 31 December 2023 of approximately RMB114.1 million, representing an increase of approximately 10.1% compared to the same period in 2022.

PROPERTY MANAGEMENT SERVICES

Property Management Services

The Group provides a range of property management services for property owners and residents as well as property developers, including security, cleaning, greening, gardening services as well as repair and maintenance services. The Group's property management portfolio focuses on serving residential communities and also involves other types of properties, such as commercial properties and government offices, schools, hospitals and other professional services projects.

Leveraging the momentum of digital technologies, the Group actively embraced changes and enhanced the quality of property service through technological prowess. Through the application of advanced digital technologies and intelligent systems, the Group realized comprehensive property management service upgrade. Leveraging big data analytics and artificial intelligence technologies, the Group deeply analyzes data to gain keen insights into owners' needs and preferences. This enables the delivery of more tailored services. Through the application of smart security systems, community safety management is strengthened in a comprehensive manner, cultivating a secure and comfortable living environment for owners. The application of digital technologies not only improved the efficiency and quality of property services, but also further enhanced property owners' satisfaction and sense of belonging.

As of 31 December 2023, the revenue from property management services amounted to approximately RMB987.5 million, representing an increase of approximately RMB208.1 million or approximately 26.7% as compared to approximately RMB779.4 million in the same period in 2022. For the twelve months ended 31 December 2023, the Group's revenue generated from property management services, representing approximately 75.2% of the Group's total revenue for the period.

Market expansion is highly valued by the Group and elevated as one of its three strategic priorities. Southwestern China, a key focus region for the Group's presence, saw the establishment of an operation headquarters in Chengdu at the end of 2023 to fully support the development of regional market in Southwestern China. During the year, the Group optimized the business processes and incentive systems, improved the post-expansion evaluation system of market expansion and achieved excellent results. Over 60 new projects were contracted, and the saturated income of new projects was approximately RMB200 million.

On 31 December 2023, the Group managed 335 property services projects across 42 cities in 17 provinces and municipalities in China, with a total contracted GFA of about 55.8 million sq.m., an increase of about 8.6% compared with 51.4 million sq.m. in the same period in 2022, mainly covering six regions in China, namely Northern China, Northeastern China, Eastern China, Central China, Southwestern China and Southern China.

Geographical Coverage

The table below sets out the breakdowns of (i) revenue from property management services and (ii) GFA under management classified by geographic regions which the Group provides property management services for the periods indicated:

	31 December 2023				31 December 2022			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Northern China(1)	**107,759**	**10.9**	**6,099**	**10.9**	103,650	13.3	5,463	10.6
Northeastern China(2)	**42,082**	**4.3**	**2,845**	**5.1**	42,534	5.5	2,660	5.2
Eastern China(3)	**186,409**	**18.9**	**12,247**	**22.0**	153,574	19.7	9,060	17.6
Central China(4)	**16,762**	**1.7**	**1,062**	**1.9**	14,038	1.8	633	1.2
Southwestern China(5)	**545,679**	**55.2**	**29,561**	**53.0**	388,502	49.8	30,098	58.6
Southern China(6)	**88,781**	**9.0**	**3,951**	**7.1**	77,124	9.9	3,476	6.8
Total	**987,472**	**100.0**	**55,765**	**100.0**	779,422	100.0	51,390	100.0

Notes:

(1) "Northern China" includes Beijing, Tianjin, Tangshan and Hohhot.

(2) "Northeastern China" includes Harbin, Shenyang, Panjin and Dandong.

(3) "Eastern China" includes Shanghai, Hangzhou, Jiaxing, Suzhou, Kunshan, Jingjiang, Jiangyin, Taixing, Xinghua, Xuzhou, Xinyi, Huaian and Huangshan.

(4) "Central China" includes Changsha, Yiyang, Yueyang, Huaihua and Zhumadian.

(5) "Southwestern China" includes Chongqing, Chengdu, Neijiang, Guiyang, Zunyi, Qiannanzhou and Panzhou.

(6) "Southern China" includes Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou, Sanya, Lingshui, Wenchang and Ledong.

The Group managed a diverse portfolio of property management, comprising primarily residential properties and, to a lesser extent, non-residential properties. Non-residential properties include commercial properties and other types of professional service projects. The table below sets out the breakdowns of its: (i) revenue generated from property management services by type of properties, and (ii) total GFA under management by type of properties for the periods indicated:

	31 December 2023				31 December 2022			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Residential properties	**873,350**	**88.4**	**52,275**	**93.7**	689,089	88.4	46,322	90.1
Non-residential properties	**114,122**	**11.6**	**3,490**	**6.3**	90,333	11.6	5,068	9.9
Total	**987,472**	**100.0**	**55,765**	**100.0**	779,422	100.0	51,390	100.0

The table below sets out the breakdowns of (i) revenue from property management services by type of property developer; and (ii) total GFA under management by type of property developer for the periods indicated:

	31 December 2023				31 December 2022			
	Revenue generated from property management services		**GFA under management**		Revenue generated from property management services		GFA under management	
	RMB'000	***%***	***'000 sq.m.***	***%***	*RMB'000*	*%*	*'000 sq.m.*	*%*
Hevol Real Estate Group(1)	**211,474**	**21.4**	**8,810**	**15.8**	196,430	25.2	8,257	16.1
Other property developers	**775,998**	**78.6**	**46,955**	**84.2**	582,992	74.8	43,133	83.9
Total	**987,472**	**100.0**	**55,765**	**100.0**	779,422	100.0	51,390	100.0

Note:

(1) Refers to Hevol Real Estate Group Limited (和泓置地集團有限公司) ("**Hevol Real Estate**") and its subsidiaries.

Community value-added services

As an extension of the Group's property management services business, the Group provides community value-added services to property owners and residents according to their needs. The Group's community value-added services help to satisfy the needs of property owners and residents for quality life, enhance customer experience, as well as to create a healthier and more convenient living community. The community value-added services, mainly includes home-living services, real estate brokerage, housing decoration and renovation services, bulk purchases for community, online community business platform, parking space rental, and public facilities rental.

During the year, the Group achieved leap-forward growth in its community value-added services. Centered around owners' asset management needs, services such as property rental, sales and renovations were provided to maintain and enhance owners' asset values. Attentive to owners' pursuit of cultural interests, diverse accompanying tourism services were launched. Meanwhile, the Group paid greater attention to owners' home life needs and enriched community lifestyle support services. Focusing on improving owners' satisfaction, a convenient and comfortable home living environment was cultivated. The Group aims to serve as a steward for quality community living through such property management services.

As of 31 December 2023, the Group's revenue from community value-added services reached approximately RMB253.5 million, representing an increase of approximately RMB77.1 million, or approximately 43.7% as compared to approximately RMB176.4 million in the same period in 2022. For the twelve months ended 31 December 2023, the Group's revenue generated from community value-added services, representing approximately 19.3% of the Group's total revenue for the period.

Value-added services to non-property owners

Revolving around the needs of property developers, the Group mainly provides site services and diverse property management services for property developers, and provides full-cycle and full-process services before property sales and delivery. Leveraging the Group's professional service standards in the property management industry, property developers are comprehensively aided in enhancing their brand value.

As of 31 December 2023, the Group's revenue from value-added services to non-property owners amounted to approximately RMB72.3 million, representing a decrease of approximately RMB13.1 million, or approximately 15.4% as compared to approximately RMB85.4 million over the same period in 2022. For the twelve months ended 31 December 2023, the Group's revenue generated from value-added services to non-property owners, representing approximately 5.5% of the Group's total revenue for the period.

PROSPECT

The Group adheres to the service concept of "A Happy Life With Hevol", and is committed to improving service quality and continuously innovating and optimizing the property management service system. In the future, the Group will further increase technology investment, promote smart property development and improve management efficiency. The Group will strengthen team building, cultivate more outstanding property management service talents and provide more professional and intimate services for property owners and customers. Meanwhile, the Group will actively explore new markets, seek more cooperation opportunities, expand business coverage and promote high-quality development.

FINANCIAL REVIEW

Revenue

The Group derived revenue from: (i) property management services; (ii) community value-added services; and (iii) value-added services to non-property owners. Overall revenue increased by approximately RMB272.1 million, or approximately 26.1% from approximately RMB1,041.2 million in 2022 to approximately RMB1,313.3 million in 2023. Such growth was primarily attributable to an increase in revenue from property management services by approximately RMB208.1 million, or approximately 26.7% and increase in revenue from community value-added services by approximately RMB77.1 million, or approximately 43.7% which is due to the impact of the acquisition of two major subsidiaries in 2022, and the Group's intensification of market expansion efforts to acquire new property service projects, resulting in an increase in the total GFA under management, alongside the Group's active development and enrichment of existing community value-added service categories. Two major subsidiaries which were acquired in April and October of 2022 aggregately contributed approximately RMB213.5 million and approximately RMB55.2 million of revenue from property management services and community value-added services in 2023, respectively. The Group's total GFA under management increased by approximately 8.6% from approximately 51.4 million sq.m in 2022 to approximately 55.8 million sq.m. in 2023, and the number of projects under management increased from 291 to 335.

The following table sets out a breakdown of the Group's total revenue by business segment for the years indicated:

	Year ended 31 December					
	2023		2022		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**987,472**	**75.2**	779,422	74.9	208,050	26.7
Community value-added services (including rental income)	**253,536**	**19.3**	176,407	16.9	77,129	43.7
Value-added services to non-property owners	**72,275**	**5.5**	85,392	8.2	(13,117)	(15.4)
Total	**1,313,283**	**100.0**	1,041,221	100.0	272,062	26.1

Property management services

Property management services primarily include property management fees paid for providing security, cleaning, greening and gardening and repair and maintenance services to residential, commercial and other types of properties. Revenue increased by approximately RMB208.1 million, or approximately 26.7%, from approximately RMB779.4 million in 2022 to approximately RMB987.5 million in 2023. Such increase was primarily attributable to the increase in the total GFA under management resulting from the Group's intensification of market expansion efforts to acquire new property service projects and the impact of acquisitions of two major subsidiaries in 2022, which in aggregate contributed approximately RMB213.5 million of revenue from property management services in 2023. The Group's total GFA under management increased by approximately 8.6% from approximately 51.4 million sq.m. in 2022 to approximately 55.8 million sq.m. in 2023, and the number of projects under management increased from 291 to 335.

Community value-added services

Revenue from community value-added services increased by approximately RMB77.1 million or approximately 43.7% from approximately RMB176.4 million in 2022 to approximately RMB253.5 million in 2023. Such revenue is divided into three segments, including (i) home-living services, (ii) parking space rental and (iii) public facilities rental, which amounted to approximately RMB106.2 million, RMB93.5 million and RMB53.8 million, respectively, in 2023. Revenue from home-living services, parking space rental and public facilities rental amounted to approximately RMB85.8 million, RMB48.4 million and RMB42.2 million, respectively, in 2022. Such increase was mainly due to the the increase in revenue brought by the Group's active development and enrichment of existing community value-added service categories and the impact of the acquisition of two subsidiaries in 2022 which contributed a total revenue from community value-added services of approximately RMB55.2 million in 2023.

Value-added services to non-property owners

The Group provides a wide range of value-added services to non-property owners including sales site services, sales assistance services and ancillary property management services. Revenue from value-added services to non-property owners decreased by approximately RMB13.1 million, or approximately 15.4% from approximately RMB85.4 million in 2022 to approximately RMB72.3 million in 2023. The decrease in revenue was mainly due to a decrease of revenue from sales assistance services to Hevol Real Estate Group and other property developers resulted from impact of domestic real estate market.

Cost of Sales

Cost of sales of the Group primarily comprises staff costs, sub-contracting costs, utility expenses, repairs and maintenance costs, cost of providing ancillary property management services, material costs and sales taxes. Cost of sales increased by approximately RMB231.2 million or approximately 31.0% from approximately RMB745.9 million in 2022 to approximately RMB977.1 million in 2023. Such increase was mainly attributable to: (i) increase of the Group's staff costs by approximately RMB31.5 million from approximately RMB297.3 million in 2022 to approximately RMB328.8 million in 2023 due to the increasing staff costs as a result of business expansion and acquisition of subsidiaries, (ii) the increase of repairs and maintenance expenses by approximately RMB92.1 million from approximately RMB208.2 million in 2022 to approximately RMB300.3 million in 2023 resulted from an increasing costs of repairs and maintenances incurred for certain older public facilities in the residential communities; and (iii) an increase of utilities expenses of approximately RMB37.6 million resulting from the increase in property service projects and the increase in sub-contracting costs of approximately RMB37.6 million as some services such as greening and security were outsourced to other service providers. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the synchronous increase in the cost resulted from the Group's business expansion.

Gross Profit and Gross Profit Margin

The table below sets forth the Group's gross profit and gross profit margin by business segment for the years indicated:

	Year ended 31 December					
	2023		2022			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**218,379**	**22.1**	187,654	24.1	30,725	16.4
Community value-added services (including rental income)	**98,666**	**38.9**	79,720	45.2	18,946	23.8
Value-added services to non-property owners	**19,171**	**26.5**	27,934	32.7	(8,763)	(31.4)
Total	**336,216**	**25.6**	295,308	28.4	40,908	13.9

Overall gross profit of the Group increased by approximately RMB40.9 million, or approximately 13.9% from approximately RMB295.3 million in 2022 to approximately RMB336.2 million in 2023. The increase in gross profit was primarily attributable to the economies of scale brought by the expansion of the Group's business. Overall gross profit margin of the Group decreased from approximately 28.4% in 2022 to approximately 25.6% in 2023. Such decrease was primarily attributable to: (i) an increase in staff costs resulted from business expansion and acquisition of subsidiaries; (ii) newly acquired subsidiaries with lower gross profit margin in the segment of property management services; and (iii) an increase in the cost of repairs and maintenances of certain older facilities in the residential communities.

Property management services

Gross profit for the Group's property management services increased by approximately RMB30.7 million, or approximately 16.4% from approximately RMB187.7 million in 2022 to approximately RMB218.4 million in 2023. The increase of gross profit is primarily attributable to an increase in total GFA under management as a result of the Group's intensified market expansion efforts to acquire new property service projects. Gross profit margin decreased from approximately 24.1% in 2022 to approximately 22.1% in 2023 as a result of an increase in staff cost resulted from business expansion and acquisition of subsidiaries and the impact of lower gross profit margin on newly acquired subsidiaries.

Community value-added services

Gross profit for the Group's community value-added services increased by approximately RMB19.0 million, or approximately 23.8% from approximately RMB79.7 million in 2022 to approximately RMB98.7 million in 2023. The increase was mainly due to an increase of revenue such as home-living and other services, leasing of car parking spaces and leasing of common facilities etc., which due to the increase in the total GFA under management and the efforts of the Group actively developed and enriched community value-added services categories. Gross profit margin decreased from approximately 45.2% in 2022 to approximately 38.9% in 2023 resulted from the increase in costs incurred for repairs and maintenances of those parking facilities and installation of high-tech equipment in the residential communities.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners of the Group decreased by approximately RMB8.7 million, or approximately 31.4% from approximately RMB27.9 million in 2022 to approximately RMB19.2 million in 2023. Such changes were attributable to a decrease of sales assistance services provided to Hevol Real Estate Group and other property developers resulting from impact of real estate market in the PRC. Gross profit margin decreased from approximately 32.7% in 2022 to approximately 26.5% in 2023, which was mainly attributable to an increase in staff costs resulting from an increasing salary and decrease of revenue from sales site services and ancillary property management services with relatively higher gross profit margin.

Other Income and gains and losses

Other income of the Group increased by approximately RMB23.5 million, or approximately 145.1% from approximately RMB16.2 million in 2022 to approximately RMB39.7 million in 2023, which was mainly due to an increase of recovery of bad debts amounted to approximately RMB38.3 million, set off by loss on disposal of a subsidiary amounted to approximately RMB14.0 million.

Administrative Expenses

Administrative expenses of the Group mainly include staff costs, travelling and entertainment, professional fees, telecommunication, utilities, depreciation and amortization. Administrative expenses of the Group increased by approximately RMB40.8 million, or approximately 28.0% from approximately RMB145.8 million in 2022 to approximately RMB186.6 million in 2023, primarily due to: (i) an increase in staff costs resulting from the expansion in the business scale of the Group; (ii) an increase in administrative expenses included in newly acquires subsidiaries, (iii) an increase of amortisation of intangible assets and depreciation of property, plant and equipment resulted from the acquisition of subsidiaries; and (iv) an increase of professional fees related to legal, internal control, auditing, valuation, compliance and due diligence for efficiency management.

ECL allowance on trade and other receivables

The ECL allowance on trade and other receivables slightly decreased by approximately RMB1.5 million or approximately 3.2% from approximately RMB47.0 million in 2022 to approximately RMB45.5 million in 2023. The Group has established a provision matrix that is based on its historical credit loss experience and external indicators, adjusted for forward-looking factors specific to the debtors. The Group has considered making individual assessment on the recoverability of trade receivables from related parties. Impairment of other receivables from third parties (excluding prepayments and advances to employees) are assessed collectively and individually and measured as either 12-month ECL or lifetime ECL. The increase in the ECL allowance on trade and other receivables was primarily driven by the increased trade receivables and certain upward adjustments of ECL rates based on the collection profile for sales in the past 36 months as well as the corresponding historical credit losses during that period and the current and forwarding-looking macroeconomic factors mainly including current situation in the domestic real estate sector and the economic growth of domestic market, affecting the customer's ability to settle the amount outstanding.

Income Tax Expenses

Income tax expenses of the Group increased by approximately RMB13.6 million, or approximately 92.5% from approximately RMB14.7 million in 2022 to approximately RMB28.3 million in 2023, primarily due to the inclusion of tax effect on non-taxable income and utilisation of tax losses previously not recognised.

Profit for the Year

Profit for the year of the Group increased by approximately RMB10.5 million, or approximately 10.1% from approximately RMB103.6 million in 2022 to approximately RMB114.1 million in 2023, primarily due to the profits generated from new property service projects acquired as the Group intensified its market expansion efforts.

Intangible Assets

Intangible assets decreased from approximately RMB127.5 million as at 31 December 2022 to approximately RMB107.1 million as at 31 December 2023. The decrease was mainly due to amortisation and depreciation for the year with aggregate amount of approximately RMB16.3 million and written off of customer relationships amounted to approximately RMB6.5 million resulted from disposal of a subsidiary.

Investment Properties

Investment properties which consisted of certain car parking spaces and shop premises, increased from approximately RMB40.5 million as at 31 December 2022 to approximately RMB55.0 million as at 31 December 2023 mainly due to investment property additions for the year of approximately RMB23.9 million, set off by disposal and depreciation of investment properties of aggregately approximately RMB9.4 million.

Goodwill

Goodwill decreased from approximately RMB481.5 million as at 31 December 2022 to approximately RMB461.3 million as at 31 December 2023, due to the decrease in goodwill of approximately RMB20.2 million as a result of the disposal of a subsidiary, Guizhou Xingji Property Services Company Limited (貴州星際物業服務有限公司) ("**Guizhou Xingji**").

Other Receivables

Other receivables represented deposits paid for certain projects which to be completed and repaid over one year.

Trade and Other Receivables

Trade and other receivables include trade receivables, prepayments and other receivables. Trade receivables are mainly related to property management services as well as value-added services. Trade receivables of the Group decreased from approximately RMB421.1 million as at 31 December 2022 to approximately RMB388.3 million as at 31 December 2023, primarily due to a decrease in sales site services, sales assistance services and ancillary property management services provided to the related parties. Other receivables mainly consist of deposits, prepayment and other receivables and payment on behalf of property owners. Other receivables decreased from approximately RMB222.6 million as at 31 December 2022 to approximately RMB177.0 million as at 31 December 2023, mainly due to (i) a reallocation of other receivables of approximately RMB25.3 million to non-current assets; and (ii) a decrease in amounts of deposits and other receivables, payment on behalf of property owners and advances to employees resulted from the disposal of a subsidiary. The Group seeks to strengthen strict control over its outstanding receivables, performs ongoing credit evaluation of its customers and makes frequent contact with customers to encourage regular payment of management fees.

Contract Liabilities

The Group's contract liabilities mainly arise from advance payments made by customers while the underlying property management services are yet to be provided. Contract liabilities of the Group increased by approximately RMB39.2 million from approximately RMB295.7 million as at 31 December 2022 to approximately RMB334.9 million as at 31 December 2023, primarily due to the managing of an increasing number of property service projects from 291 in 2022 to 335 in 2023.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB123.4 million as at 31 December 2022 to approximately RMB128.4 million as at 31 December 2023, primarily due to an increasing materials and utilities expenses paid for the Group's business expansion. Other payables mainly consist of accrued staff costs, accrued charges and other payables and collected amounts on behalf of property owner committees and property owners. The decrease of other payables of the Group from approximately RMB430.6 million as at 31 December 2022 to approximately RMB307.2 million as at 31 December 2023 was primarily due to a decrease of: (i) accrued charges and other payables of approximately RMB46.2 million resulting from netting off an amount due to the former shareholder of Chongqing Xinlongxin Property Management Co., Ltd. (重慶新隆信物業管理有限公司) ("**Chongqing Xinlongxin**") of approximately RMB36.9 million and the decrease in accrued charges and other payables of approximately RMB9.3 million from the disposal of a subsidiary; (ii) consideration payables of approximately RMB53.0 million resulted from settlement of consideration for acquisitions of Chongqing Xinlongxin and Guiyang Xinglong Property Management Co., Ltd. (貴陽興隆物業管理有限公司) ("**Guiyang Xinglong**") amounted to approximately RMB36.9 million and approximately RMB16.1 million, respectively; and (iii) financial guarantees of approximately RMB12.7 million resulted from the seller of Guiyang Xinglong settled the indemnity to the Group against the losses arising from the litigations and claims against Guiyang Xinglong which had been incurred before the acquisition date.

Liquidity, Capital Structure and Financial Resources

The Group's bank balances and cash increased by approximately RMB102.3 million from approximately RMB275.9 million as at 31 December 2022 to approximately RMB378.2 million as at 31 December 2023, primarily due to (i) an increase in bank borrowing of approximately RMB46.0 million; and (ii) an increase of advance payments of property management fees made by customers and an increase in management fee received resulted from an increase in number of projects under management from 291 in 2022 to 335 in 2023. The Group's financial position remained solid. As at 31 December 2023, the Group's net current assets increased from approximately RMB60.9 million as at 31 December 2022 to approximately RMB142.6 million as at 31 December 2023. As at 31 December 2023, the Group's current ratio was approximately 1.18 times (31 December 2022: 1.07 times), which was mainly due to a decrease of other payables arising from settlement of consideration payables for acquisitions of Chongqing Xinlongxin and Guiyang Xinglong. The Group has a borrowings of approximately RMB55.0 million as at 31 December 2023 (2022: approximately RMB9.0 million) which certain of the Group's investment properties of approximately RMB12.1 million were pledged for a borrowings of RMB4.0 million.

Asset Charges

As at 31 December 2023, certain investment properties of the Group of RMB12.1 million (2022: RMB12.8 million) were pledged for a bank borrowing of RMB4.0 million (2022: RMB5.0 million). Certain trade receivables of the Group of RMB70.0 million (2022: Nil) were pledged for bank borrowings for RMB40.0 million (2022: Nil).

Material Acquisition and Disposals of Assets

On 1 December 2023, Guizhou Furuiying Information Consultancy Limited* (貴州福瑞盈信息諮詢有限公司) (the "**Seller**"), an indirect wholly-owned subsidiary of the Company, Mr. Yang Wujun (楊武均), Mr. Che Ziyong (車子勇) (together, the "**Purchasers**"), and Guizhou Xingji entered into a sale and purchase agreement, pursuant to which the Seller agreed to dispose of and the Purchasers agreed to acquire in aggregate 51% equity interest of Guizhou Xingji at a total consideration of RMB25,500,000. For details, please refer to the announcement of the Company dated 1 December 2023.

Save as disclosed above, during the Reporting Period, the Group did not conduct any material acquisitions or disposals of subsidiaries, associates and joint ventures.

Significant Investment Held and Future Plans for Material Investment and Capital Assets

As of 31 December 2023, the Group did not hold any significant investment. The Group has no future plan for material investments or capital assets as at the date of this announcement.

Gearing Ratio

The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as total interest-bearing debt less cash and cash equivalents. As at 31 December 2023 and 2022, the gearing ratio of the Group maintained at net cash position.

Contingent Liabilities

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

Treasury Policies

The Group has adopted a prudent financial management approach towards its treasury policies to ensure the liquidity requirements from daily operation as well as capital expenditures are met. The Board closely monitors the Group's liquidity positions, while surplus cash will be invested appropriately with the consideration of the credit risks, liquidity risks and market risks of the financial instruments.

Foreign Exchange Risk

The Group's exposures to currency risk mainly arise from its bank balance of RMB373.9 million (2022: RMB270.4 million) denominated in RMB placed with banks in the PRC. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government. The Group does not hedge its foreign currency risk. However, management monitors the foreign currency exposure and will consider hedging significant foreign currency exposure should the need arise.

Employees and Remuneration Policies

The Group had 4,849 employees as at 31 December 2023 (31 December 2022: 5,146 employees). For the year ended 31 December 2023, the Group's total staff costs were approximately RMB446.5 million (2022: RMB383.4 million). The remuneration package of the employees included salary, bonus and other cash subsidies. Employees are rewarded on a performance related basis, together with reference to the profitability of the Group, remuneration benchmarks in the industry, and prevailing market conditions within the general framework of the Group's salary and bonus system. The Group is subject to social insurance contribution plans or other pension schemes prescribed by the local governments and is required to pay on behalf of the employees, a monthly social insurance fund covering pension fund, medical insurance, work-related injury insurance, maternity insurance and unemployment insurance, the housing provident fund, or other mandatory provident fund schemes on behalf of the employees. The Group hosted comprehensive internal staff training programmes for its staff to improve and enhance their technical and service skills, as well as to provide them with the knowledge of industry quality standards and work place safety standards. The Group provided orientation training to new hires and introduce them to the Group's corporate culture to understand its service standards and procedures. The Group also provided training courses and regular seminars on various aspects of its business operations, such as quality control and customer relationship management, to the Group's employees. The Group had also adopted a share option scheme, details of which are set out in note 13 to the consolidated financial statements in this announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

There are no material events affecting the Group that have occurred after 31 December 2023 and up to the date of this announcement.

CORPORATE GOVERNANCE

The Company is committed to the establishment of stringent corporate governance practices and procedures with a view to enhancing investor confidence and the Company's accountability and transparency. The Company strives to maintain a high standard of corporate governance. Details of the corporate governance practices will be disclosed in the Company's report for the year. The Board is of the view that, during the year ended 31 December 2023, the Company has complied with all the code provisions on the Corporate Governance Code ("**CG Code**") set out in Appendix C1 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**").

COMPLIANCE WITH THE MODEL CODE FOR DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix C3 to the Listing Rules as its codes of conduct regarding securities transactions by its Directors and employees (the "**Securities Dealing Code**").

The Company has made specific enquiry of all Directors whether the Directors have complied with the required standard as set out in the Model Code for the year ended 31 December 2023 and all Directors confirmed that they have complied with the Model Code and the Securities Dealing Code throughout the said period.

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

For the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

REVIEW OF ACCOUNTS

The audit committee of the Company (the "**Audit Committee**") was established with written terms of reference in compliance with Appendix C1 to the Listing Rules. The Audit Committee is delegated by the Board to be responsible for reviewing and monitoring the financial reporting, risk management and internal control systems of the Company, and assist the Board to fulfill its responsibility over the audit of the Group. The Audit Committee has reviewed the annual results and the consolidated financial statements of the Group for the year ended 31 December 2023 and reviewed with the management of the Group regarding the accounting principles and practices adopted by the Group, and discussed with them the internal controls and financial reporting matters.

The Audit Committee comprises Mr. Fan Chi Chiu, Dr. Chen Lei and Mr. Qian Hongji, who are independent non-executive Directors.

DIVIDEND

The Board did not recommend the payment of final dividend for the year ended 31 December 2023 (for the year ended 31 December 2022: Nil).

CLOSURE OF THE REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 28 May 2024 to Friday, 31 May 2024, both days inclusive and during which period no share transfer will be effected, for the purpose of ascertaining Shareholders' entitlement to attend and vote at the annual general meeting of the Company to be held on Friday, 31 May 2024 (the "**AGM**"). In order to be eligible to attend and vote at the AGM, all transfer documents accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716. 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 pm on Monday, 27 May 2024.

NOTICE OF ANNUAL GENERAL MEETING

The AGM will be held on 31 May 2024 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules in due course.

SUFFICIENCY OF PUBLIC FLOAT

According to the information that is publicly available to the Company and within the knowledge of the Board, as at the date of this announcement, the Company has maintained the public float as required under the Listing Rules.

SCOPE OF WORK OF THE AUDITOR

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2023 have been agreed by the Group's auditor, BDO Limited (the "**Auditor**"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by the Auditor in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by the Auditor on the preliminary announcement.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the respective websites of the Company at www.hevolwy.com.cn and the Stock Exchange at www.hkexnews.hk. The annual report of the Company for the year ended 31 December 2023 containing all the information required under the Listing Rules will be dispatched to the Shareholders and made available on the above websites in due course.

By order of the Board
Hevol Services Group Co. Limited
Wang Wenhao
Executive Director

Hong Kong, 28 March 2024

As at the date of this announcement, the Board comprises two executive Directors, namely Ms. Hu Hongfang and Mr. Wang Wenhao, two non-executive Directors, namely Mr. Liu Jiang and Mr. Zhou Wei, and four independent non-executive Directors, namely Dr. Chen Lei, Mr. Fan Chi Chiu, Dr. Li Yongrui and Mr. Qian Hongji.