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 2022

FINANCIAL HIGHLIGHTS

- Total revenue of the Group for the year ended 31 December 2022 increased by 35.8% to approximately RMB1,041.2 million from approximately RMB766.8 million for the year ended 31 December 2021.

- Gross profit of the Group for the year ended 31 December 2022 increased by 11.8% to approximately RMB295.3 million from approximately RMB264.2 million for the year ended 31 December 2021. Gross profit margin decreased to 28.4% for the year ended 31 December 2022 from 34.5% for the year ended 31 December 2021.

- Profit after income tax for the year ended 31 December 2022 decreased by approximately RMB5.0 million, or 4.6% from approximately RMB108.6 million for the year ended 2021 to approximately RMB103.6 million in 2022. Net profit margin decreased to 10.0% for the year ended 31 December 2022 compared to 14.2% for the year ended 31 December 2021.

- Earnings per share attributable to equity shareholders of the Company amounted to RMB12.27 cents for the year ended 31 December 2022 (2021: RMB15.60 cents).

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 2022, together with the comparative figures for the year ended 31 December 2021.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	*4*	**1,041,221**	766,791
Cost of sales		**(745,913)**	(502,598)
Gross profit		**295,308**	264,193
Other income and gains	*5*	**16,220**	15,496
Expected credit losses ("**ECL**") allowance on trade and other receivables		**(46,976)**	(5,810)
Administrative expenses		**(145,810)**	(134,464)
Finance costs	*6(a)*	**(465)**	(465)
Profit before income tax	*6(b)*	**118,277**	138,950
Income tax expense	*7*	**(14,713)**	(30,314)
Profit for the year		**103,564**	108,636
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		**22,155**	(981)
Total comprehensive income for the year		**125,719**	107,655
Profit for the year attributable to:			
Equity shareholders of the Company		**68,718**	86,194
Non-controlling interests		**34,846**	22,442
		103,564	108,636
Total comprehensive income for the year attributable to:			
Equity shareholders of the Company		**90,873**	85,213
Non-controlling interests		**34,846**	22,442
		125,719	107,655
Earnings per share attributable to equity shareholders of the Company (expressed in RMB cents)			
Basic and diluted	*9*	**12.27**	15.60

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2022

	Notes	2022 *RMB'000*	2021 *RMB'000*
Non-current assets			
Property, plant and equipment		**25,754**	20,254
Intangible assets	*10*	**127,496**	85,215
Investment properties		**40,483**	28,768
Goodwill		**481,533**	292,661
Deposit paid for acquisition of a subsidiary	*11*	**–**	50,735
Deferred tax assets		**29,460**	10,752
		704,726	488,385
Current assets			
Inventories		**1,619**	585
Trade and other receivables	*11*	**643,677**	284,204
Restricted bank deposits	*12*	**7,319**	9,845
Bank balances and cash		**275,922**	391,228
		928,537	685,862
Current liabilities			
Bank borrowings		**5,000**	–
Contract liabilities	*4(a)*	**295,689**	182,714
Trade and other payables	*12*	**554,088**	332,674
Lease liabilities		**3,767**	1,897
Income tax liabilities		**9,138**	43,436
		867,682	560,721
Net current assets		**60,855**	125,141
Total assets less current liabilities		**765,581**	613,526
Non-current liabilities			
Bank borrowings		**4,000**	4,000
Other payables	*12*	**20,000**	–
Lease liabilities		**3,324**	647
Deferred tax liabilities		**26,789**	20,853
		54,113	25,500
Net assets		**711,468**	588,026

	Note	**2022**	2021
		RMB'000	*RMB'000*
EQUITY			
Share capital	*13*	**38**	38
Reserves		**614,621**	523,748
Equity attributable to equity shareholders of the Company		**614,659**	523,786
Non-controlling interests		**96,809**	64,240
Total equity		**711,468**	588,026

NOTES

For the year ended 31 December 2022

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 2022 were approved for issue by the board of directors on 31 March 2023.

2. BASIS OF PREPARATION

These consolidated financial statements of the Company have been prepared in accordance with applicable International Financial Reporting Standards ("**IFRSs**") which includes all applicable individual IFRS, International Accounting Standards ("**IAS**"), amendments and interpretations 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.

It should be noted that accounting estimates and assumptions are used in preparation of the 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.

3. ADOPTION OF AMENDED IFRSs

New or amended IFRSs adopted by the Group and changes in accounting policies

In the current year, the Group has applied for the first time the following amended IFRSs, which are relevant to the Group's operations and effective for the Group's consolidated financial statements for the annual period beginning on 1 January 2022:

Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021
Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS41	Annual Improvements to IFRSs 2018-2020

None of these amended IFRSs have material impact on the Group's results and financial position for the current or prior period. The Group has not applied any new or amended IFRSs that is not yet effective for the current accounting period.

Issued but not effective IFRSs

The following new or amended IFRSs, potentially relevant to the Group's financial statements, have been issued but are not yet effective and have not been early adopted by the Group. The Group's current intention is to apply these changes on the date they become effective.

Amendments to IFRS 10 and IAS 28 (2011)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current (the "**2020 Amendments**")[3,4]
Amendments to IAS 1	Non-current Liabilities with Covenants (the "**2022 Amendments**")[3]
Amendments to IAS 1 and IFRS Practice Statements 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback[3]

1 Effective for annual periods beginning on or after 1 January 2023

2 The amendments shall be applied prospectively to the sale or contribution of assets occurring in annual periods beginning on or after a date to be determined

3 Effective for annual periods beginning on or after 1 January 2024

4 As a consequence of the 2022 Amendments, the effective date of the 2020 Amendments was deferred to annual periods beginning on or after 1 January 2024. In addition, as a consequence of the 2020 Amendments and 2022 Amendments. Hong Kong Interpretation 5 Presentation of Financial Statements-Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised to align the corresponding wording with no change in conclusion.

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

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4. REVENUE AND SEGMENT INFORMATION

The Group is principally engaged in the provision of property management services and related valued-added 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:

	2022	2021
	RMB'000	*RMB'000*
Revenue from external customers and recognised over time		
Property management services	**779,422**	528,510
Community value-added services	**172,569**	136,220
Value-added services to non-property owners	**85,392**	100,193
	1,037,383	764,923
Leasing income (not within the scope of IFRS 15)		
Community value-added services	**3,838**	1,868
	1,041,221	766,791

Geographical information

The major operating entities of the Group are domiciled in the PRC. As at 31 December 2022 and 2021, 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 2022, revenue from companies controlled by the Controlling Shareholder contributed 5.0% (2021: 8.3%) 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.

a) Contract liabilities

The Group recognised the following revenue-related contract liabilities:

	2022	2021
	RMB'000	*RMB'000*
Contract liabilities	**295,689**	182,714

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.

	2022	2021
	RMB'000	*RMB'000*
Revenue recognised that was included in contract liabilities at the beginning of the year		
Property management services	**157,929**	74,202
Community value-added services	**10,926**	4,006
Value-added services to non-property owners	**145**	–
	169,000	78,208

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 unsatisfied performance obligation at the reporting date.

5. OTHER INCOME AND GAINS

	2022	2021
	RMB'000	*RMB'000*
Government subsidy income *(note)*	**7,351**	5,182
Recovery of bad debts	**5,502**	5,128
Bank interest income	**1,203**	1,374
Sundry income	**1,944**	1,486
Fair value gain on financial assets at FVTPL	**87**	1,724
Gain on disposal of property, plant and equipment	**133**	–
Net exchange gain	**–**	602
	16,220	15,496

Note:

During the years ended 31 December 2022 and 2021, government subsidy income mainly relate to cash subsidies granted by the PRC government in respect of value-added tax relief and operating activities which are either unconditional or with conditions that having been satisfied.

6. PROFIT BEFORE INCOME TAX

Profit before income tax has been arrived at after charging/(crediting):

		2022 *RMB'000*	2021 *RMB'000*
(a)	**Finance costs**		
	Interest expenses on lease liabilities	**245**	186
	Finance costs on interest-bearing bank borrowings	**220**	279
		465	465
(b)	**Other items**		
	Auditor's remuneration		
	– audit fee	**2,400**	2,400
	– other services	**–**	1,602
	Amortisation of intangible assets *(note 10)*	**13,569**	8,325
	Depreciation of property, plant and equipment		
	– Owned assets	**4,654**	3,777
	– Right-of-use assets	**3,414**	1,910
	Depreciation of investment properties	**1,110**	1,049
	Legal and professional fees	**12,026**	13,167
	(Gain)/loss on disposal of property, plant and equipment	**(133)**	3

7. INCOME TAX EXPENSE

	2022 *RMB'000*	2021 *RMB'000*
Current tax – PRC enterprise income tax		
Current year	**25,055**	34,147
Over-provision in prior years	**(2,712)**	–
	22,343	34,147
Deferred tax		
Reversal of temporary differences, net	**(7,630)**	(3,833)
Total income tax expense	**14,713**	30,314

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 2022 and 2021.

(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 2022 and 2021, 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 was 15% for the years ended 31 December 2022 and 2021.

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 2022 and 2021. 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 2022 and 2021, 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%.

8. DIVIDENDS

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

9. 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.

	2022	2021
Profit attributable to equity shareholders of the Company *(RMB'000)*	**68,718**	86,194
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share *(thousands)*	**560,000**	552,439
Basic earnings per share *(expressed in RMB cents)*	**12.27**	15.60

b) Diluted earnings per share

Diluted earnings per share for the years ended 31 December 2022 and 2021 equals to the basic earnings per share as there were no dilutive potential ordinary shares in existence during the years.

10. INTANGIBLE ASSETS

	Customer relationships *RMB'000*	Computer software *RMB'000*	Total *RMB'000*
Year ended 31 December 2021			
Opening net book amount	19,637	5,232	24,869
Acquisition of subsidiaries	66,527	528	67,055
Additions	–	1,616	1,616
Amortisation	(6,888)	(1,437)	(8,325)
Closing net book amount	79,276	5,939	85,215
At 31 December 2021			
Cost	87,402	9,269	96,671
Accumulated amortisation	(8,126)	(3,330)	(11,456)
Net book amount	79,276	5,939	85,215

	Customer relationships ***RMB'000***	**Computer software** ***RMB'000***	**Total** ***RMB'000***
Year ended 31 December 2022			
Opening net book 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 book 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 book amount	**122,165**	**5,331**	**127,496**

Amortisation charges recognised is analysed as follows:

	2022 ***RMB'000***	2021 *RMB'000*
Administrative expenses	**13,569**	8,325

11. TRADE AND OTHER RECEIVABLES

	Notes	2022	2021
		RMB'000	*RMB'000*
Trade receivables	*(a)*		
– Third parties		**382,025**	178,985
– Related parties		**106,845**	57,958
		488,870	236,943
Less: ECL allowance on trade receivables		**(67,766)**	(19,523)
		421,104	217,420
Other receivables	*(b)*		
Deposits and other receivables		**88,319**	52,250
Other deposits		**109,693**	39,666
Payment on behalf of property owners		**13,459**	21,165
Advances to employees		**4,111**	545
		215,582	113,626
Less: ECL allowance on other receivables		**(2,029)**	(3,296)
		213,553	110,330
Prepayments		**9,020**	7,189
		222,573	117,519
Less:			
Deposit paid for acquisition of a subsidiary included in non-current assets (net of allowance of RMB1,515,000) as at 31 December 2021		**–**	(50,735)
		222,573	66,784
		643,677	284,204

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:

	2022	2021
	RMB'000	*RMB'000*
0 – 90 days	**99,294**	62,865
91 – 180 days	**57,481**	36,143
181 – 365 days	**97,460**	54,111
1 to 2 years	**104,675**	49,629
2 to 3 years	**43,917**	14,672
Over 3 years	**18,277**	–
	421,104	217,420

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

	2022	2021
	RMB'000	*RMB'000*
Balance at the beginning of the year	**19,523**	17,009
ECL allowance recognised	**48,243**	2,514
Balance at the end of the year	**67,766**	19,523

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.

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.

12. TRADE AND OTHER PAYABLES

	Notes	2022 RMB'000	2021 RMB'000
Trade payables			
– Third parties	*(a)*	**123,448**	53,540
Other payables			
Accrued charges and other payables		**169,650**	10,322
Consideration payables		**59,138**	52,145
Financial guarantees issued	*(i)*	**18,439**	19,000
Renovation deposits collected from property owners		**75,074**	46,188
Amounts collected on behalf of property owners		**35,362**	73,466
Other tax liabilities		**25,975**	15,992
Staff costs and welfare accruals		**67,002**	61,387
Amounts due to related parties		**–**	634
		450,640	279,134
Less non-current portion:			
Consideration payable		**(20,000)**	–
		430,640	279,134
		554,088	332,674

Note:

(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 Property Management Co., Ltd ("**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 acquisition of Guiyang Xinglong, the seller 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, the maximum exposure of the financial guarantee contracts is RMB18,439,000 (31 December 2021: RMB38,000,000). Financial guarantees amounted to RMB21,362,000 has been settled during the year ended 31 December 2022. The seller indemnified the Group against financial guarantees settled. Financial guarantee contracts of RMB18,439,000 (31 December 2021: RMB19,000,000) was recognised in the consolidated statement of financial positions at the end of the reporting period.

Restricted bank deposits include balances of RMB6,794,000 (2021: RMB9,845,000) which have been frozen by the PRC court's pending the outcome of the legal proceedings initiated by PRC banks relating to certain bank borrowing contracts which related to the financial guarantees issued by Guiyang Xinglong. The frozen bank balances may not be used by the Group until the litigations are resolved.

(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:

	2022	2021
	RMB'000	*RMB'000*
0 to 30 days	**43,522**	40,899
31 to 180 days	**49,561**	10,860
181 to 365 days	**20,339**	796
Over 1 year	**10,026**	985
	123,448	53,540

13. SHARE CAPITAL

	Number of shares	**Nominal value of shares** *United States dollar (**"US$"**)*
Authorised:		
Ordinary shares of the Company:		
Ordinary shares at 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	5,000,000,000	50,000

	Notes	**Number of shares**	**Nominal value of shares** *US$*	**Equivalent nominal value of shares** *RMB'000*
Issued and fully paid:				
Ordinary shares of the Company:				
As at 1 January 2021		480,000,000	4,800	34
Issue of shares upon placing of shares	*(i)*	80,000,000	800	4
As at 31 December 2021, 1 January 2022 and 31 December 2022		**560,000,000**	**5,600**	**38**

Notes:

(i) On 14 January 2021, the Company entered into a placing agreement with a placing agent in respect of the placing of up to 80,000,000 new shares at an issue price of HK$2.00 per share. On 5 February 2021, the placing was completed and 80,000,000 new shares were placed by the placing agent to not less than six places at an issue price of HK$2.00 per share resulting in raising proceeds, before expenses, of HK$160,000,000 (equivalents to RMB133,404,000), of which RMB4,000 was credited to the share capital account and RMB133,400,000 was credited to the share premium account. The related transaction costs amounted to RMB2,001,000 had been recorded in the share premium account.

14. 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.

15. COMMITMENTS

a) Lease commitments

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

	2022	2021
	RMB'000	*RMB'000*
Within one year	**686**	686
After one year but within two years	**686**	686
After two years but within three years	**686**	686
After three years but within four years	**343**	686
After four years but within five years	**–**	343
	2,401	3,087

b) Capital commitments

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

	2022	2021
	RMB'000	*RMB'000*
Acquisition of a subsidiary	**–**	39,200

16. ACQUISITION OF SUBSIDIARIES

(a) 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. (遵義市金寧物業管理有限公司) ("**Zunyi Jinning**")	Provision of property management services and related value-added services	10 April 2022	68.75%	91,450
Chongqing Xinlongxin Property Management Co., Ltd. (重慶新隆信物業管理有限公司) ("**Chongqing Xinlongxin**")	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 *RMB'000*	**Chongqing Xinlongxin** *RMB'000*	**Total** *RMB'000*
Property, plant and equipment	187	939	1,126
Intangible assets *(note 10)*	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 interests

The non-controlling interest in Zunyi Jinning of 31.25% at the acquisition date was measured by reference to the proportionate share of the recognised amount of net assets of Zunyi Jinning amounted to 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)/ net liaibilities	(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 from the acquisition 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) 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.

(b) During the year ended 31 December 2021, the Group acquired seven subsidiaries from independent third parties.

(i) Subsidiaries acquired

	Principal activities	**Date of acquisition**	**Proportion of shares acquired**	**Cash consideration transferred**
				RMB'000
Zhongshan Zhongzheng (中山市中正物業管理有限公司)	Provision of property management services and related value-added services	4 January 2021	51%	15,400
Sichuan Wansheng (四川萬晟物業服務有限公司)	Provision of property management services and related value-added services	25 January 2021	60%	42,900
Panjin Four Seasons City Property Management Co., Ltd. (盤錦四季城物業服務有限公司) ("**Panjin Four Seasons**")	Provision of property management services and related value-added services	25 May 2021	51%	18,360
Jiangsu Shenhua Times Property Group Co., Ltd. (江蘇深華時代物業集團有限公司) ("**Jiangsu Shenhua**")	Provision of property management services and related value-added services	16 March 2021	51%	40,800
Beijing He Zhong Zhidi Property Agency Co., Ltd. (北京和眾置地房地產經紀有限公司) ("**Beijing He Zhong**")	Provision of property agency services	16 June 2021	51%	2,000
Hunan Jinying Property Management Co., Ltd. (湖南金鷹物業管理有限公司) ("**Hunan Jinying**")	Provision of property management services and related value-added services	18 May 2021	51%	–*
Guiyang Xinglong (貴陽興隆物業管理有限公司)	Provision of property management services and related value-added services	2 August 2021	70%	156,800

* The cash consideration amount less than RMB1,000

The English names of the PRC companies referred to above in this note represent management's best effort in translating the Chinese names of those companies as no English names have been registered or available.

The above subsidiaries were acquired to expand the Group's property management service portfolio and provide synergies to its existing property management business.

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

	Zhongshan Zhongzheng *RMB'000*	Sichuan Wansheng *RMB'000*	Jiangsu Shenhua *RMB'000*	Hunan Jinying *RMB'000*	Panjin Four Seasons *RMB'000*	Beijing He Zhong *RMB'000*	Guiyang Xinglong *RMB'000*	Total *RMB'000*
Property, plant and equipment	–	562	531	33	2,033	–	1,716	4,875
Intangible assets *(note 10)*	5,202	11,808	13,775	–	4,313	–	31,957	67,055
Deferred tax assets	–	73	1,182	–	63	–	2,401	3,719
Financial assets at fair value through profit or loss	–	–	–	–	–	–	13,000	13,000
Trade and other receivables	593	59,607	43,743	596	2,796	2,432	96,279	206,046
Inventories	–	8	163	–	10	–	70	251
Restricted bank deposits	–	–	–	–	–	–	9,845	9,845
Bank balances and cash	12,203	5,410	2,054	213	5,936	60	5,921	31,797
Contract liabilities	(91)	–	–	(396)	–	–	(36,705)	(37,192)
Trade and other payables	(3,490)	(60,575)	(34,188)	(440)	(9,759)	–	(86,647)	(195,099)
Long-term borrowings	–	–	(4,000)	–	–	–	–	(4,000)
Income tax liabilities	(171)	(411)	(1,188)	(6)	(47)	(93)	(9,957)	(11,873)
Deferred tax liabilities	(1,301)	(1,771)	(3,444)	–	(1,078)	–	(4,715)	(12,309)
Total identifiable net assets acquired	12,945	14,711	18,628	–	4,267	2,399	23,165	76,115

(iii) Non-controlling interests

The non-controlling interests in Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong of 49%, 40%, 49%, 49%, 49%, 49% and 30% recognised at the respective acquisition dates, respectively, were measured by reference to the respective proportionate share of the recognised amounts of net assets of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong amounted to RMB6,343,000, RMB5,884,000, RMB9,127,000, RMB Nil, RMB2,091,000. RMB1,176,000 and RMB8,269,000, respectively.

(iv) Goodwill arising on acquisitions

	Zhongshan Zhongzheng *RMB'000*	Sichuan Wansheng *RMB'000*	Jiangsu Shenhua *RMB'000*	Hunan Jinying *RMB'000*	Panjin Four Seasons *RMB'000*	Beijing He Zhong *RMB'000*	Guiyang Xinglong *RMB'000*	Total *RMB'000*
Cash considerations	15,400	42,900	40,800	–	18,360	2,000	156,800	276,260
Fair value of identifiable net assets	(12,945)	(14,711)	(18,628)	–	(4,267)	(2,399)	(23,165)	(76,115)
Non-controlling interests	6,343	5,884	9,127	–	2,091	1,176	8,269	32,890
Goodwill arising on acquisition	8,798	34,073	31,299	–	16,184	777	141,904	233,035

Goodwill arose from the acquisitions of Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong 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 Zhongshan Zhongzheng, Sichuan Wansheng, Jiangsu Shenhua, Hunan Jinying, Panjin Four Seasons, Beijing He Zhong and Guiyang Xinglong. 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 was expected to be deductible for tax purposes.

(v) Impact on acquisitions on the results of the Group

Included in the profit for the year ended 31 December 2021 was profit of RMB2,932,000 attributable to the additional business generated by Zhongshan Zhongzheng, and profit of RMB7,316,000 attributable to Sichuan Wansheng, profit of RMB8,047,000 attributable to Jiangsu Shenhua, loss of RMB85,000 attributable to Hunan Jinying, profit of RMB4,260,000 attributable to Panjin Four Seasons, profit of RMB990,000 attributable to Beijing He Zhong and profit of RMB12,774,000 attributable to Guiyang Xinglong and its subsidiary. Revenue for the year ended 31 December 2021 included RMB36,307,000 in respect of Zhongshan Zhongzheng and RMB54,637,000 in respect of Sichuan Wansheng, RMB45,898,000 in respect of Jiangsu Shenhua, RMB1,802,000 in respect of Hunan Jinying, RMB18,533,000 in respect of Panjin Four Seasons, RMB5,050,000 in respect of Beijing He Zhong and RMB79,339,000 in respect of Guiyang Xinglong.

If the acquisitions had occurred on 1 January 2021, the Group's revenue and profit for the year ended 31 December 2021 would have been RMB885,413,000 and RMB143,805,000 respectively. This pro forma information was for illustrative purposes only and was 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 2021, nor is it intended to be a projection of future results.

CHAIRMAN'S STATEMENT

Dear shareholders,

On behalf of the board of directors (the "**Board**") of Hevol Services Group Co. Limited (the "**Company**"), I am pleased to present the results announcement of the Company for the year ended 31 December 2022 (the "**Reporting Period**").

Following the publication of the "Ten New Measures" for optimisation of COVID-19 prevention and control by the State Council in December 2022, different places gradually relaxed their epidemic prevention policies and China entered the "post-pandemic era". The COVID-19 virus has changed our life in the past three years, and will also change our life in the future. In the "post-pandemic era", the keynote of the coming three years will be economic revitalization, securing the normal operation of national economy with preset targets, reducing the impacts of pandemic, getting out of the quagmire of pandemic, and the continuous release of momentum for socioeconomic recovery, and therefore an economic upturn will be likely.

For the twelve months ended 31 December 2022, Hevol Services Group Co., Limited and its subsidiaries (together, the "**Group**") achieved revenue of approximately RMB1,041.2 million, representing an increase of approximately 35.8% over the same period in 2021; in particular, the revenue from property management services amounted to approximately RMB779.4 million, representing a year-on-year increase of approximately 47.5%; the revenue from community value-added services amounted to approximately RMB176.4 million, representing a year-on-year increase of approximately 27.7%; the revenue from value-added services to non-property owners amounted to approximately RMB85.4 million, representing a year-on-year decrease of approximately 14.8%; the Group's gross profit was approximately RMB295.3 million, representing an increase of approximately 11.8% over the same period in 2021.

In 2022, thanks to the joint efforts of all employees, the Group overcame various difficulties, obtained good results, and maintained rapid and healthy growth, which were attributed to the hard work of every employee. In the brand-new year of 2023, we must deeply understand the logic of property management market, leverage our advantages and follow the right path of development.

SERVICE QUALITY IS THE ROOT

Starting from basic services, with smiles, we should upgrade service quality according to the actual life demands of owners, complete and refine the basic services and public management services, fully implement "quality long-termism" and create a comfortable, beautiful life scenario for owners. We believe in the establishment of brand name through quality, strengthen our roots, solidify our base, follow the "service-oriented, owner first" philosophy, drive the rapid development of property service quality, and win owners' praises, which become the critical factors for us to keep our market shares.

3-YEAR DEVELOPMENT PLAN

Relying on the improvement of comprehensive capabilities such as service capabilities, expansion capabilities, and operational capabilities, the Group takes the path of rapid and quality development. Since the Group's listing in the Hong Kong capital market in July 2019, the Company has opened a new chapter of development, and achieved impressive results over the past three years. In face of future development, the Group will grow with times, realise our missions, follow our 3-year development plan, focus on key indicators such as "scale, revenue, profit", and adhere to the high-quality and high-level development of the Group.

THIRD-PARTY ENTRUSTMENT

We should focus on third-party entrustment business and joint venture, clarify the objectives of third-party entrustment expansion, create benchmark project satisfactory to customers; cultivate the urban markets where are operating, constantly improve the regional management density, and deploy the operations across China. We should coordinate internal and external resources, fully empower the expansion of third-party entrustment business, opening up new ways of thinking for such expansion, and comprehensively enhance our business capabilities for such expansion. Meanwhile, based on residential property services, we should adhere to innovative development strategies, continue to open up new business forms, shift from residential property business to more non-residential business segments and gradually consolidate such businesses.

COMMON INTEREST PRINCIPLE

We should improve the compensation performance system, be guided by objectives, balance performances and results, motivate employees, which are the core drive for the Group to realise win-win with employees, so that all employees could feel they are both entrepreneurs and sharers of benefits of corporate growth ; we should insist on the corporate values of “opening-up and innovation” and “co-creation and co-success”, be committed to the establishment of a cooperative platform for resources sharing, establish a long-term cooperative relationship of mutual benefit and mutual interest, so as to create even greater commercial value and social benefits. We should create greater return on investment for shareholders through high-quality and high-level sustainable development.

In the “post-pandemic era”, in face of new conditions and new requirements, we should improve quality and benefits as the development drivers, always insist on the strategic ideas of “the four unshakable principles”, be committed to the promotion of high-quality development, driven by reform and innovation, be committed to satisfying owners’ increasing demands for living a good life, further implement quality control management strategies, fully promote the implementation of a standardized system, enhance brand recognition and influence, and boost the steady, quality and rapid growth of the Group!

Finally, on behalf of the Board, I would like to take this opportunity to appreciate the concerted efforts and dedication of the directors, management and all employees in the challenging market environment, and also express my sincere gratitude to all shareholders, business partners, customers and suppliers for their long-term support and trust to the Group!

Liu Jiang
Chairman of the Board of Directors

Hong Kong, 31 March 2023

BUSINESS REVIEW AND PROSPECTS

Industry Review

In 2022, China's economy faced many challenges, including the external turbulent international environment, the resurgence of the internal epidemic and shrinking market demand. These factors had also brought great impact and challenges to the property management industry. However, the PRC government has introduced corresponding policies to provide liquidity support and development opportunities for real estate developers and property management companies.

Under such circumstances, the Group has taken a series of measures to cope with challenges and develop market opportunities. Firstly, we are committed to improving our service quality by providing better property management services to meet our customers' needs. At the meanwhile, we expanded our service scope and strengthened market expansion to expand our customer base by conducting business in more cities.

In general, the Group made great achievements in 2022, laying a solid foundation for future growth and development. We will continue to strive to improve our service quality and expand our market scale to achieve better results and returns.

BUSINESS REVIEW

The Group is a reputable market player in the property management industry in the PRC. In April 2022, the Group ranked 32nd among the Top 100 Property Service Companies by the China Index Academy, and up 6th compared with 2021. As of 31 December 2022, the Group provided property management services, community value-added services and value-added services to non-property owners in 39 cities in the PRC, a total number of 326 contracted projects with a total contracted gross floor area ("**GFA**") of approximately 62.4 million sq.m. (2021: 46.1 million sq.m.) and a total number of 291 projects under management with a total GFA under management of approximately 51.4 million sq.m. (2021: 34.0 million sq.m.), both of which achieved considerable growth in terms of contracted GFA and GFA under management.

Over the past twenty-one years, sticking to the concept of excellent service with customers first, the Group has always adhered to the commitment of "Living a happy life with Hevol" to build a quality lifeline and deliver quality services to thousands of households. The Group is committed to being the most respected property service enterprise in China by offering customers heartwarming services.

During the Reporting Period, the Group has won a number of awards, including:

TOP32 in 2022 Top 100 Property Management Enterprises in China

2022 Growth Leading Enterprise of China Property Service Enterprises

TOP23 in 2022 China Top 100 Property Enterprises in respect of Service Satisfaction

China Top 100 Property Service Brands in 2022

2022 Leading Enterprise Development Speed TOP5 of Listed Property Companies

2022 Leading Enterprise Development Potential TOP5 of Listed Property Companies

2022 Property Service Market-Oriented Operation Leading Brand Companies of China

As of 31 December 2022, the Group recorded revenue of approximately RMB1,041.2 million, representing an increase of approximately 35.8% compared to the same period in 2021; gross profit of approximately RMB295.3 million, representing an increase of approximately11.8% compared to the same period in 2021; and gross profit margin of approximately 28.4%, representing a year-on-year decrease of approximately 6.1 percentage points. The Group recorded net profit after tax for the twelve months ended 31 December 2022 of approximately RMB103.6 million, representing a decrease of approximately 4.6% compared to the same period in 2021.

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, authorities and school etc.

As of 31 December 2022, the revenue from property management services amounted to approximately RMB779.4 million, representing an increase of approximately RMB250.9 million or approximately 47.5% as compared to approximately RMB528.5 million in the same period in 2021. For the twelve months ended 31 December 2022, revenue generated from property management services, representing approximately 74.9% of the Group's total revenue for the period.

As at 31 December 2022, the Group managed 291 property management projects across 39 cities in China with a total GFA under management of approximately 51.4 million sq.m., covering five regions in China including Northern China, Northeastern China, Southwestern China, Southern China and Eastern China.

The Group concentrated superior resources to continuously expand the management scale. In April 2022, Zunyi Jinning Property Management Co., Ltd. ("**Zunyi Jinning**"), a professional property management enterprise with the largest scale in the property market of Zunyi, officially joined the Group, thus establishing the position of local top one brand in the industry and creating a new benchmark for regional services in Guizhou. In September 2022, the Group acquired 100% equity interest of Chongqing Xinlongxin Property Management Co., Ltd. ("**Chongqing Xinlongxin**"), which is the third Top 100 Property Management Enterprises that the Group has cooperated with since its listing, and has deeply developed in Chongqing for 19 years. The projects under management are concentrated in the downtown and surrounding urban areas of Chongqing, and a number of projects have been awarded the "National Management Demonstration Community" and "Top 10 Residential Communities in Chongqing" and other titles. The Group has always adhered to the corporate values of "openness, innovation, co-creation, and co-success", and cooperated with excellent partners with high quality and business synergy to complement each other's advantages and synergize for improvement. With the successful completion of the equity strategic cooperation, the Group's strategic layout and brand influence in Southwestern China have been further strengthened.

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 2022				31 December 2021			
	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)	**103,650**	**13.3**	**5,463**	**10.6**	116,861	22.1	6,181	18.2
Northeastern China(2)	**42,534**	**5.5**	**2,660**	**5.2**	31,949	6.1	2,551	7.5
Southwestern China(3)	**388,502**	**49.8**	**30,098**	**58.6**	180,823	34.2	12,802	37.7
Southern China(4)	**91,162**	**11.7**	**4,109**	**8.0**	81,373	15.4	4,050	11.9
Eastern China(5)	**153,574**	**19.7**	**9,060**	**17.6**	117,504	22.2	8,392	24.7
Total	**779,422**	**100.0**	**51,390**	**100.0**	528,510	100.0	33,976	100.0

Notes:

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

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

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

(4) "Southern China" includes Changsha, Yiyang, Yueyang, Huaihua, Dongguan, Zhongshan, Foshan, Jiangmen, Huizhou, Sanya and Lingshui.

(5) "Eastern China" includes Shanghai, Hangzhou, Jiaxing, Kunshan, Jingjiang, Jiangyin, Xuzhou, Xinyi, Huaian and Huangshan.

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, public buildings and schools. As of 31 December 2022, the Group generated the majority of its property management services revenue from residential properties, which will continue to account for a significant portion of the Group's revenue stream in the near future. 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 2022				31 December 2021			
	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	**689,089**	**88.4**	**46,322**	**90.1**	475,577	90.0	31,915	93.9
Non-residential properties	**90,333**	**11.6**	**5,068**	**9.9**	52,933	10.0	2,061	6.1
Total	**779,422**	**100.0**	**51,390**	**100.0**	528,510	100.0	33,976	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 2022				31 December 2021			
	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	**196,430**	**25.2**	**8,257**	**16.1**	233,401	44.2	7,405	21.8
Other property developers	**582,992**	**74.8**	**43,133**	**83.9**	295,109	55.8	26,571	78.2
Total	**779,422**	**100.0**	**51,390**	**100.0**	528,510	100.0	33,976	100.0

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 address the lifestyle and daily needs of the property owners and residents, enhance their customer experience, satisfaction and loyalty, as well as to create a healthier and more convenient living community. The community value-added services, mainly includes home-living services, real estate agent, housing decoration and renovation services, community group purchase, online community business platform, leasing of car parking space, and leasing of common facilities.

As of 31 December 2022, the Group's revenue from community value-added services reached approximately RMB176.4 million, representing an increase of approximately RMB38.3 million, or approximately 27.7% as compared to approximately RMB138.1 million in the same period in 2021. For the twelve months ended 31 December 2022, revenue generated from community value-added services, representing approximately 16.9% of the Group's total revenue for the period.

Value-added services to non-property owners

The Group is committed to expanding its value-added services to non-property owners and diversifying its sources of revenue. Revolving around the needs of property developers, it mainly provides site services and diverse auxiliary property management services for property developers, and provides full-cycle and full-process services before property sales and delivery. Based on the professional service standards of the Group in the property management industry, it assists property developers to enhance brand value in an all-round way.

As of 31 December 2022, the Group's revenue from value-added services to non-property owners amounted to approximately RMB85.4 million, representing a decrease of approximately RMB14.8 million, or approximately 14.8% as compared to approximately RMB100.2 million in the same period in 2021. For the twelve months ended 31 December 2022, revenue generated from value-added services to non-property owners, representing approximately 8.2% of the Group's total revenue for the period.

PROSPECT

Higher customer stickiness based on quality

We will return to the nature of services, and solidify the quality management. According to the Group's strategic development requirements, we will continue to improve the level 1, level 2 and level 3 systems, and realise the systems online, standardized, process-oriented and normalised. We will enhance quality inspection and customer reach standardisation, and develop 5-level inspection and supervision mechanism based on "customer reach". We will improve customer portraits and enhance community atmosphere creation, and plan different kinds of cultural events specific to key points and key customer groups, to make the community more comfortable and more loving.

Scale expansion by third-party entrustment business expansion

Precisely focus on third-party entrustment. Our market expansion focuses on third-party entrustment and joint venture. The Group will strictly control risks, integrate all regional resources, develop externally based on the market lines, and build an integrated market management platform; promote the organisation of customer relationship management, and improve the system of customer relationship management. We will actively create customer satisfactory benchmark projects, with the mindset of "operation-oriented, quality-oriented, features-oriented, brand building", and increase owners' satisfaction and industrial reputation through "highlighted projects", and boost the expansion of third-party entrustment business. We will strictly adhere to the strategy of "Six Requirements (六化戰略)", namely the centralization of investment and expansion areas, the integration of projects under management, seeking quality new projects, using intelligent tools in community management, innovation of value-added services, and staff involvement in quality improvement.

Value-added service to drive revenue growth

Create a multi-line and full-cycle service model. Oriented to customers' demand and backed by smart community platform, we will advocate a new mode of community diversified value-added services, and by expanding community services and product boundary, explore different fields like community group purchase, leasing/sales, door-to-door service, realise the ecological closed loop from service mode to scenario mode, and then to lifestyle mode, and create a value-added service platform covering full-cycle of community life services. The upgrading of value-added service quality will be centered on customer experience, and focus on value-added services, where we will precisely segment the communities, build a service platform for owners and ensure the supply of quality services, so as to enhance owners' satisfaction and drive the development of value-added services.

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 RMB274.4 million, or approximately 35.8% from approximately RMB766.8 million in 2021 to approximately RMB1,041.2 million in 2022, such growth was primarily attributable to: (i) an increase in revenue resulted from financial effects of the acquisition of two major subsidiaries which contributed revenue in aggregate of approximately RMB131.6 million in 2022, and (ii) an increase in revenue from home-living services and leasing of car parking space in the segment of community value-added services due to the growth in the number of property management projects from 195 in 2021 to 291 in 2022.

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

	Year ended 31 December					
	2022		2021		**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**779,422**	**74.9**	528,510	68.9	250,912	47.5
Community value-added services (including leasing income)	**176,407**	**16.9**	138,088	18.0	38,319	27.7
Value-added services to non-property owners	**85,392**	**8.2**	100,193	13.1	(14,801)	(14.8)
Total	**1,041,221**	**100.0**	766,791	100.0	274,430	35.8

Property management services

Property management services primarily include property management fees paid for providing security, cleaning and gardening and property repair and maintenance services to residential, commercial and other types of properties. Revenue increased by approximately RMB250.9 million, or 47.5%, from approximately RMB528.5 million in 2021 to approximately RMB779.4 million in 2022. Such increase was primarily attributable to the increase in the total GFA under management resulting from the business expansion through organic growth and acquisitions of two major subsidiaries which contributed approximately RMB131.6 million of revenue in aggregate from property management services in 2022. The Group's total GFA under management increased by approximately 51.2% from approximately 34.0 million sq.m. in 2021 to approximately 51.4 million sq.m. in 2022, and the number of property management projects increased from 195 to 291, respectively.

Community value-added services

Revenue from community value-added services increased by approximately RMB38.3 million or approximately 27.7% from approximately RMB138.1 million in 2021 to approximately RMB176.4 million in 2022. Such revenue is divided into three segments, including (i) home-living services, (ii) leasing of car parking space and (iii) leasing of common facilities, which amounted to approximately RMB85.8 million, RMB48.4 million and RMB42.2 million, respectively in 2022. Revenue from home-living services, leasing of car parking space and leasing of common facilities amounted to approximately RMB68.2 million, RMB48.8 million and RMB21.1 million, respectively, in 2021. Such increase was mainly due to an increase in the number of property management projects from 195 in 2021 to 291 in 2022 through bidding and acquisitions of two major subsidiaries during the year. In addition, the Group actively developed and expanded value-added services to the existing residential communities which also contributed to the increase.

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 and auxiliary property management services. Revenue from value-added services to non-property owners decreased by approximately RMB14.8 million, or approximately 14.8% from approximately RMB100.2 million in 2021 to approximately RMB85.4 million in 2022. The decrease in revenue was due to a decrease of revenue in ancillary property management services to Hevol Real Estate Group and other property developers.

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 RMB243.3 million or 48.4% from approximately RMB502.6 million in 2021 to approximately RMB745.9 million in 2022. Such increase was mainly attributable to: (i) increase of the Group's staff costs by approximately RMB117.8 million from approximately RMB179.5 million in 2021 to approximately RMB297.3 million in 2022 due to the increasing number of service employee headcount as a result of business expansion and acquisition of subsidiaries, (ii) an increase of repairs and maintenance expenses resulted from an increase in the number of property management projects 195 in 2021 to 291 in 2022; and (iii) an increase of utilities of approximately RMB41.9 million due to the increase in the number of property management projects. The increase of cost of sales was substantially in line with the growth rate of revenue, primarily due to the parallel 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					
	2022		2021			
	Gross profit	**Gross profit margin**	Gross profit	Gross profit margin	**Change**	
	RMB'000	*%*	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**187,654**	**24.1**	152,759	28.9	34,895	22.8
Community value-added services (including leasing income)	**79,720**	**45.2**	72,644	52.6	7,076	9.7
Value-added services to non-property owners	**27,934**	**32.7**	38,790	38.7	(10,856)	(28.0)
Total	**295,308**	**28.4**	264,193	34.5	31,115	11.8

Overall gross profit of the Group increased by approximately RMB31.1 million, or 11.8% from approximately RMB264.2 million in 2021 to approximately RMB295.3 million in 2022. The increase in gross profit was primarily due to the increase in gross profit resulted from the expansion of the Group's business scale. Overall gross profit margin of the Group decreased from approximately 34.5% in 2021 to approximately 28.4% in 2022. Such decrease was primarily attributable to: (i) an increase in staff costs resulted from an increasing salary rate and also the number of employee headcount after acquisition of subsidiaries; and (ii) newly acquired subsidiaries with lower gross profit margin in the segment of property management services.

Property management services

Gross profit for the Group's property management services increased by approximately RMB34.9 million, or 22.8% from approximately RMB152.8 million in 2021 to approximately RMB187.7 million in 2022. The increase of gross profit is primarily attributable to an increase in total GFA under management as a result of an increasing number of property management projects. Gross profit margin decreased from 28.9% in 2021 to 24.1% in 2022 as a result of an increase in staff cost resulted from an increasing salary rate and number of employee headcount by expansion 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 RMB7.1 million, or 9.7% from approximately RMB72.6 million in 2021 to approximately RMB79.7 million in 2022. The increase was mainly due to an increase of revenue from community value-added services such as home-living and other services, management and leasing of car parking spaces and leasing of common facilities etc., which due to the increase in the total GFA under management as a result of an increase in the number of property management projects. Gross profit margin decreased from 52.6% in 2021 to 45.2% in 2022 resulted from the impact of lower profit margin of service provided on newly acquired subsidiaries.

Value-added services to non-property owners

Gross profit of value-added services to non-property owners decreased by approximately RMB10.9 million, or 28.0% from approximately RMB38.8 million in 2021 to approximately RMB27.9 million in 2022. Such changes were attributable to a decrease of ancillary property management services provided to Hevol Real Estate Group as compared to the same period in 2021. Gross profit margin decreased from approximately 38.7% in 2021 to approximately 32.7% in 2022, which was mainly attributable to an increase of cost of materials and decrease of revenue from ancillary property management services with relatively higher gross profit margin.

Other Income

Other income amounted to approximately RMB16.2 million in 2022, representing an increase of approximately RMB0.7 million, or approximately 4.5% compared to approximately RMB15.5 million in 2021, which was mainly due to an increase in government subsidy income.

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 RMB11.3 million, or approximately 8.4% from approximately RMB134.5 million in 2021 to approximately RMB145.8 million in 2021, primarily due to: (i) an increase in staff costs resulting from the expansion in the business scale of the Group; (ii) the inclusion of administrative expenses of newly acquires subsidiaries, and (iii) an increase of amortisation of intangible assets and depreciation of property, plant and equipment resulted from the acquisition of subsidiaries.

ECL allowance on trade and other receivables

The ECL allowance on trade and other receivables increased by approximately RMB41.2 million or by approximately 710.3% from approximately RMB5.8 million in 2021 to approximately RMB47.0 million in 2022. 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 would also make 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 ongoing effects of the COVID-19 pandemic, affecting the customer's ability to settle the amount outstanding.

Income Tax Expenses

Income tax expenses of the Group decreased by approximately RMB15.6 million, or 51.5% from approximately RMB30.3 million in 2021 to approximately RMB14.7 million in 2022, 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 decreased by approximately RMB5.0 million, or 4.6% from approximately RMB108.6 million in 2021 to approximately RMB103.6 million in 2022, primarily due to an increase of expected credit loss allowance on trade and other receivables of approximately RMB41.2 million, resulting in a decrease in net profit margin of 4.0% for the year, set-off the increase in profit after tax generated from two newly acquired subsidiaries amounted to approximately RMB19.2 million and growth of profit of the Group resulted from expansion.

Intangible Assets

Intangible assets increased from approximately RMB85.2 million in 2021 to approximately RMB127.5 million in 2022. The increase was mainly due to additions of intangible assets of approximately RMB54.8 million, which resulted from the acquisition of two subsidiaries and the addition of computer software of approximately RMB1.2 million, offset by amortisation and depreciation for the year with aggregate amount of approximately RMB13.6 million.

Investment Properties

Investment properties which consisted of certain carparking spaces and shop premises, increased from RMB28.8 million in 2021 to RMB40.5 million in 2022 mainly due to acquisition of subsidiaries of approximately RMB12.8 million, set off by depreciation of approximately RMB1.1 million.

Goodwill

Goodwill increased from approximately RMB292.7 million as at 31 December 2021 to approximately RMB481.5 million as at 31 December 2022, due to the acquisitions of Zunyi Jinning and Chongqing Xinlongxin.

Other Deposits

Other deposits represented deposits paid to property developers or owners' committee at the inception of entering into property management services contracts.

Deposits Paid for Acquisition of a Subsidiary

Deposits of approximately RMB50.7 million as at 31 December 2021 mainly represented the deposit paid for acquisition of 68.75% equity interests of Zunyi Jinning, the acquisition has completed in April of 2022.

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 increased from approximately RMB217.4 million as at 31 December 2021 to approximately RMB421.1million as at 31 December 2022, primarily due to the inclusion of trade receivables of newly acquired subsidiaries of approximately RMB129.3 million and organic growth of trade receivables after expansion of scale. Other receivables mainly consist of deposits, prepayment and other receivables and payment on behalf of property owners. Other receivables increased from approximately RMB117.5 million as at 31 December 2021 to approximately RMB222.6 million as at 31 December 2022, mainly due to an increase in other deposits resulted from an increase in deposits paid for entering into property management services contracts and the impact of acquisitions of two subsidiaries that consolidated an increase in other receivables in aggregate of approximately RMB62.6 million. The Group seeks to strengthen strict control over its outstanding receivables. The Group performs ongoing credit evaluation of its customers and makes frequent contact with its customers to encourage regular payment of management fees, if necessary.

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 from approximately RMB182.7 million as at 31 December 2021 to approximately RMB295.7 million as at 31 December 2022, representing an increase of approximately RMB113.0 million, primarily due to: (i) the managing of an increasing number of property management projects, and (ii) the inclusion of contract liabilities of newly acquired subsidiaries which amounted to approximately RMB76.5 million.

Trade and Other Payables

Trade payables of the Group increased from approximately RMB53.5 million as at 31 December 2021 to approximately RMB123.4 million as at 31 December 2022, primarily due to an increase in subcontracting services, materials and utilities expenses paid for the Group's business expansion and inclusion of trade payables of newly acquired subsidiaries of approximately RMB51.3 million. Other payables mainly consist of accrued staff costs, deposits received and amounts collected on behalf of property owners. The increase of other payables of the Group from approximately RMB279.1 million as at 31 December 2021 to approximately RMB430.6 million as at 31 December 2022 was primarily due to an increase of: (i) accrued charges and other payables of approximately RMB143.3 million resulting from an increasing number of property management projects; (ii) renovation deposits collected from property owners of approximately RMB28.9 million; and (iii) staff costs and welfare accruals of approximately RMB5.6 million, all of which were resulted from an increasing number of property management projects and inclusion of balances of newly acquired subsidiaries for the year ended 31 December 2022.

Liquidity, Capital Structure and Financial Resources

As at 31 December 2022, the Group's bank balances and cash decreased by approximately RMB115.3 million from approximately RMB391.2 million as at 31 December 2021 to approximately RMB275.9 million as at 31 December 2022, primarily due to (i) net cash outflow on acquisitions of two subsidiaries during this year of approximately RMB73.5 million; and (ii) payment of deposits to property developers or owners' committee or other third party of the inception of entering into property management services contracts. The Group's financial position remained solid. As at 31 December 2022, the Group's net current assets decreased from approximately RMB125.1 million as at 31 December 2021 to approximately RMB60.9 million as at 31 December 2022. As at 31 December 2022, the Group's current ratio was approximately 1.07 times compared to 1.22 times as at 31 December 2021. Such decrease was due to (i) payment for acquisition of subsidiaries resulted in an increase the amounts of goodwill and intangible assets in non-current assets, and (ii) inclusion of the balances of trade and other payables and contract liabilities of newly acquired subsidiaries. The Group has a borrowings of approximately RMB5.0 million as at 31 December 2022 which resulted from an acquisition of Chongqing Xinlongxin and certain of the Group's investment properties of approximately RMB12.8 million were pledged for the borrowings.

Proceeds from the Listing

With the Shares of the Company listed on the Stock Exchange on 12 July 2019, the net proceeds from the Global Offering were approximately HK$75.8 million (equivalent to approximately RMB66.6 million), which were intended to be utilised for the purposes as set out in the Company's prospectus dated 27 June 2019 (the "**Prospectus**"). As at 31 December 2021, RMB1.2 million and RMB 5.6 million remained unutilised for the purposes of bidding for new property management projects and investment in advanced technologies and smart communities, respectively (collectively, "**the Unutilised Proceeds**"). As at 31 December 2022, the Unutilised Proceeds and hence all of the net proceeds from the listing have been utilised in the manner consistent with that as set out in the Prospectus.

Set out below is the actual utilisation of net proceeds as at 31 December 2022:

Net proceeds (in RMB million)

Item	Percentage	Available	Utilised	Unutilised	Expected time of use of unutilised proceeds
1 Acquisition of other property management companies	51.8%	34.5	34.5	–	–
2 Bidding for new property management projects	7.7%	5.1	5.1	–	–
3 Investment in advanced technologies and smart communities	23.1%	15.4	15.4	–	–
4 Expansion of value-added services business segment	14.4%	9.6	9.6	–	–
5 Working capital and general corporate purpose	3.0%	2.0	2.0	–	–
	100.0%	66.6	66.6	–	–

Proceeds from the placing of shares

On 24 June 2020, the Company issued 80,000,000 ordinary shares (the "**First Share Placing**") at an issue price of HK$1.28 per share. As a result, the Company received net proceeds of approximately HK$100.9 million (equivalent to RMB91.9 million) after deduction of the placing commission and other related expenses. As at 31 December 2022, all net proceeds from the First Share Placing have been utilised. Approximately HK$96.2 million (equivalent to RMB87.7 million), representing approximately 95.4% of the net proceeds from the First Share Placing, was utilised for the acquisition of other property management companies and the remaining amount of approximately HK$4.7 million (equivalent to RMB4.2 million), representing approximately 4.6% of the net proceeds from the First Share Placing, was utilised for the Group's general working capital.

On 5 February 2021, the Company issued 80,000,000 ordinary shares (the "**Second Share Placing**") at an issue price of HK$2.00 per share. As a result, the Company received net proceeds of approximately HK$157.6 million (equivalent to RMB131.4 million) after deduction of the placing commission and other related expenses. The proceeds from the Second Share Placing have been fully applied towards the acquisition of other property management companies. As at 31 December 2022, all net proceeds from the Second Share Placing have been utilised.

Asset Charges

As at 31 December 2022, certain investment properties of the Group of RMB12.8 million were pledged for a bank borrowing of RMB5.0 million (2021: Nil).

Material Acquisitions and Disposals of Assets

The Group plans to expand the breadth and contents of the Group's service offerings and property portfolio by mergers and acquisition by acquiring a majority shareholding of property management companies. During the year, the Group has completed two material equity acquisitions (details are set out in note 16 to the consolidated financial statements in this announcement). These acquisitions will enable the Group to further expand the scale and the scope of its business, deepen the synergy with the existing projects and achieve the complementary effect among regions and industries.

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

Save as disclosed elsewhere in this announcement, during the year 2022, the Group did not have any significant investment, and there was no plan for other material investments or additions of capital assets as at the date of this annual report.

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 2022 and 2021, the gearing ratio of the Group maintained at net cash position.

Contingent Liabilities

As at 31 December 2022, the Group did not have any contingent liabilities (2021: 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 RMB270.4 million (2021: RMB359.7 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 Benefits Policies

The Group had approximately 5,146 employees as at 31 December 2022 (31 December 2021: 4,957 employees). For the year ended 31 December 2022, the Group's total staff costs were approximately RMB383.4 million (2021: RMB277.2 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 14 to the consolidated financial statements in this announcement.

SIGNIFICANT EVENTS AFTER THE REPORTING PERIOD

Save as disclosed in Note 12 to the consolidated financial statements in this announcement, there were no material events affecting the Group that have occurred after 31 December 2022 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 2022, the Company has complied with all the code provisions on the Corporate Governance Code ("**CG Code**") set out in Appendix 14 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 10 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 2022 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 2022, 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 14 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 2022 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 2022 (for the year ended 31 December 2021: Nil).

CLOSURE OF REGISTER OF MEMBERS FOR THE 2022 AGM

The register of members of the Company will be closed from Thursday, 25 May 2023 to Wednesday, 31 May 2023, 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 Wednesday, 31 May 2023 (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 Wednesday, 24 May 2023.

NOTICE OF ANNUAL GENERAL MEETING

The AGM will be held on 31 May 2023 and a notice convening the AGM will be published and dispatched in the manner as required by the Listing Rules on the Stock Exchange 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 2022 have been agreed by the Group's auditor, BDO Limited (the "**Auditor**"), to the amounts set out in the Group's draft 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.hkex.com.hk. The annual report of the Company for the year ended 31 December 2022 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, 31 March 2023

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.