Jiayuan Services Holdings Limited
佳源服務控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 1153)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

The board (the "**Board**") of directors (the "**Directors**") of Jiayuan Services Holdings Limited (the "**Company**" or "**Jiayuan Services**"), is pleased to announce the audited consolidated financial results of the Company and its subsidiaries (collectively, the "**Group**") for the year ended 31 December 2023 together with the comparative figures for the year ended 31 December 2022 as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2023

		Year ended 31 December	
		2023	2022
	Note	***RMB'000***	*RMB'000*
Revenue	*4*	**868,211**	944,793
Cost of services and sales		**(626,136)**	(664,853)
Gross profit		**242,075**	279,940
Other income and expenses, net	*5*	**4,650**	13,398
Other gains and losses, net	*6*	**5,183**	37,327
Impairment losses on financial assets		**(100,035)**	(186,423)
Impairment losses on goodwill		**–**	(14,557)
Loss on the Abnormal Transactions	*2.1.2*	**–**	(643,819)
Loss on unauthorised Pledged Shares	*2.1.2*	**(11,833)**	(37,482)
Loss on unauthorised guarantee	*2.1.2*	**(123,000)**	–
Selling and marketing expenses		**(7,582)**	(11,263)
Administrative expenses		**(64,746)**	(81,902)
Finance costs	*9*	**(1,682)**	(2,299)
Share of results of associates		**20**	541
Loss before taxation		**(56,950)**	(646,539)
Income tax expense	*10*	**(20,444)**	(14,012)
Loss and total comprehensive expense for the year		**(77,394)**	(660,551)
Loss and total comprehensive expense for the year attributable to:			
– Owners of the Company		**(80,914)**	(664,336)
– Non-controlling interests		**3,520**	3,785
		(77,394)	(660,551)
Loss per share attributable to owners of the Company (expressed in RMB per share)			
– Basic and diluted	*11*	**(0.13)**	(1.09)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2023

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
ASSETS			
Non-current assets			
Property and equipment		**25,782**	26,607
Right-of-use assets		**–**	79
Intangible assets		**120,816**	130,372
Interest in an associate		**1,508**	1,488
Deferred income tax assets		**48,935**	53,335
		197,041	211,881
Current assets			
Inventories		**571**	538
Trade and other receivables	*13*	**377,920**	365,401
Restricted bank deposits		**3,241**	1,374
Cash and cash equivalents		**48,041**	22,722
		429,773	390,035
Total assets		**626,814**	601,916
EQUITY			
Deficit in equity attributable to owners of the Company			
Share capital		**5,225**	5,225
Reserves		**(143,840)**	(62,983)
		(138,615)	(57,758)
Non-controlling interests		**26,814**	23,639
Total deficit in equity		**(111,801)**	(34,119)

	Note	As at 31 December 2023 RMB'000	2022 RMB'000
LIABILITIES			
Non-current liabilities			
Bank borrowings		**18,558**	29,860
Deferred income tax liabilities		**1,234**	1,843
		19,792	31,703
Current liabilities			
Contract liabilities		**130,962**	116,183
Bank borrowings		**11,338**	11,362
Lease liabilities		**–**	50
Provisions		**172,315**	37,482
Trade and other payables	*14*	**361,045**	399,900
Current income tax liabilities		**43,163**	39,355
		718,823	604,332
Total liabilities		**738,615**	636,035
Total equity and liabilities		**626,814**	601,916

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION AND REORGANISATION

Jiayuan Services Holdings Limited (the "**Company**") was incorporated in the Cayman Islands on 5 March 2020 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 at the office of Conyers Trust Company (Cayman) Limited, Cricket Square, Hutchins Drive, PO Box 2681, Grand Cayman, KY1-1111, the Cayman Islands. On 9 December 2020, the Company's shares were listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") by way of initial public offering. The trading in the shares of the Company has been suspended since 3 April 2023. Further details are set out in Note 2.1.1 to the consolidated financial statements.

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

In the opinion of the directors of the Company (the "**Board**"), up until 6 September 2023, Chuangyuan Holdings Limited ("**Chuangyuan Holdings**"), a company incorporated in the British Virgin Islands ("**BVI**") with limited liability, was the controlling shareholder of the Company. The intermediate holding company of the Company was Jiayuan International Group Limited ("**Jiayuan International**"), an exempted company incorporated in the Cayman Islands with limited liability and its shares were listed on the Stock Exchange until they were delisted on 29 October 2024. The ultimate holding company was Galaxy Emperor Limited ("**Galaxy Emperor**"), a company incorporated in the BVI with limited liability, ultimately controlled by Mr. Shum Tin Ching ("**Mr. Shum**").

As set out in the announcement of the Company dated 11 September 2023, on 7 September 2023, the Board, was informed that in November 2022, Chuangyuan Holdings (as the borrower and chargor) being the then controlling shareholder of the Company, by way of a security deed, charged 450,000,000 shares of the Company held by Chuangyuan Holdings (represented approximately 73.56% of the total issued shares of the Company at the date of the announcement, referred to as the ("**Charged Securities**")), in favour of Valuable Capital Limited ("**VCL**"), a limited company incorporated in Hong Kong and a licensed corporation under the Securities and Futures Commission of Hong Kong (as lender and chargee), to secure all the present and future outstanding liabilities to VCL under certain finance documents. Chuangyuan Holdings, which had securities trading accounts with VCL and had borrowed funds or obtained margin financing from VCL, defaulted on its repayments to VCL on or about 9 May 2023. Consequently, Mr. Lai Wing Lun and Mr. Osman Mohammed Arab were appointed as joint and several receivers and managers (the "**Receivers**") of the Charged Securities by a deed of appointment dated 6 September 2023.

On 5 September 2024, the Receivers and VCL entered into a sale and purchase agreement (the "**SPA**"), pursuant to which the Receivers agreed to sell, and VCL agreed to acquire, the Charged Securities, subject to the terms and conditions of the SPA. The completion of the SPA occurred on 5 September 2024.

VCL and Linkto Tech Limited, a limited company incorporated in Hong Kong, along with any parties acting in concert with them, are interested, as beneficial owners, in the Charged Securities. Valuable Capital Group Ltd, a limited liability company incorporated in the Cayman Islands, is the ultimate holding company of the Company. Madam Gao Yuanlan is the sole director and sole shareholder of Linkto Tech Limited.

These consolidated financial statements for the year ended 31 December 2023 are presented in Renminbi ("**RMB**"), unless otherwise stated.

2 BASIS OF PREPARATION

The principal accounting policies applied in the preparation of the consolidated financial statements are in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**") as set out below. HKFRSs comprise Hong Kong Financial Reporting Standards ("**HKFRS**"); Hong Kong Accounting Standards ("**HKAS**"); and Interpretations. The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention, unless mentioned otherwise in the accounting policies (e.g. contingent consideration payable that are measured at fair value).

2.1.1 Suspension of trading, resumption guidance and resumption progress

As described in detail in the announcement dated 7 March 2023, the Group's former auditor, PricewaterhouseCoopers, resigned effective on 6 March 2023. The Board has appointed Elite Partners CPA Limited (the "**Preceding Auditor**") to fill the causal vacancy and additional time was needed to carry out the annual audit for the year ended 31 December 2022. Accordingly, trading of the Company's shares was suspended effective 3 April 2023 due to the delay in publishing the 2022 annual results beyond the mandatory deadline of 31 March 2023.

On 28 June 2023, the Company was notified by the Stock Exchange of the initial resumption guidance (the "**Initial Resumption Guidance**"), requesting the Company to:

(i) publish all outstanding financial results required under the Listing Rules and address any audit modification;

(ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules; and

(iii) announce all material information for the shareholders and investors to appraise the Company's position.

During the continuation of the audit process for the year ended 31 December 2022, the Company further discovered that there has been a number of abnormal payments and receipts recorded between the Group and certain entities (the "**Abnormal Transactions**") that required further investigation. Therefore, as announced on 12 January 2024, the Company's audit committee (the "**Audit Committee**") decided to engage Grant Thornton Advisory Services Limited as an independent investigation agency (the "**Independent Investigation Agency**") to conduct an investigation into the Abnormal Transactions (the "**Independent Investigation**") and to compile a report (the "**Independent Investigation Report**") for the Audit Committee, the Board and the Preceding Auditor.

On 25 January 2024, Zhonghui Anda Risk Services Limited was appointed as the independent internal control consultant (the "**Independent Internal Control Consultant**") to conduct independent review on the Group's internal control system, policies and procedures (the "**Independent Internal Control Review**"). The review aimed to deliver key findings, recommendations and assess the implementation status of the remedial actions taken in response to these recommendations. The results would be used for the evaluation and assessment by the Board and the Audit Committee.

On 14 February 2024, the Company was notified by the Stock Exchange of the additional resumption guidance (the "**Additional Resumption Guidance**"), requesting the Company to:

(i) conduct an appropriate independent investigation into the Abnormal Transactions, announce the findings and take remedial actions; and

(ii) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules.

On 13 May 2024, the Company was notified by the Stock Exchange of the further additional resumption guidance (the "**Further Additional Resumption Guidance**"), requesting the Company to:

(i) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

For details of the Initial Resumption Guidance, Additional Resumption Guidance and Further Additional Resumption Guidance (collectively referred as the "**Resumption Guidance**"), please refer to the announcements made by the Company dated 30 June 2023, 22 February 2024 and 17 May 2024, respectively.

The Stock Exchange required the Company to remedy the issues causing its trading suspension and fully comply with the Listing Rules to the Stock Exchange's satisfaction before trading in its securities is allowed to resume and, for this purpose, the Company has the primary responsibility to devise its action plan for resumption. The Stock Exchange also indicated that it may modify or supplement the Resumption Guidance if the Company's situation changes. Under Rule 6.01A(1) of the Listing Rules, the Stock Exchange may cancel the listing of any securities that have been suspended from trading for a continuous period of 18 months. In the case of the Company, the 18-month period expires on 2 October 2024. If the Company fails to remedy the issue causing its trading suspension, fulfill the Resumption Guidance and fully comply with the Listing Rules to the Stock Exchange's satisfaction and resume trading in its shares by 2 October 2024, the Listing Division of the Stock Exchange will recommend the Listing Committee of the Stock Exchange to proceed with the cancellation of the Company's listing. Under Rules 6.01 and 6.10 of the Listing Rules, the Stock Exchange also has the right to impose a shorter specific remedial period, where appropriate.

The Company has taking appropriate steps to remedy the issues causing the trading suspension and to fully comply with the Listing Rules to the satisfaction of Stock Exchange before trading in the shares is allowed to resume. On 25 September 2024, the Company submitted a resumption proposal to the Listing Division of the Stock Exchange to address the Resumption Guidance, aiming to demonstrate that during the period from the suspension of trading in the shares of the Company up to the date of the submission, save for the publication of the outstanding financial results, the Company was able to fulfill the conditions set out in the Resumption Guidance and complete a number of initiatives to resume trading.

Furthermore, the Company submitted an application to the Stock Exchange on 25 September 2024 for an extension of the remedial period up to and inclusive of 31 December 2024 for the Company to fulfil the conditions set out in the Resumption Guidance, particularly, to complete the audits in respect of the 2022 annual results and 2023 annual results.

On 1 November 2024, the Company received a letter from the Stock Exchange stating that after considering the Company's case, the Listing Committee of the Stock Exchange decided to extend the Remedial Period to 31 December 2024.

Please refer to the announcements of the Company dated 2 October 2024 and 1 November 2024 for details of the resumption plan and progress.

The Company will keep its shareholders and public informed of the developments in this regard by making further announcements as and when appropriate.

2.1.2 Independent Investigation and Independent Internal Control Review

The Independent Investigation Agency and the Independent Internal Control Consultant issued the Independent Investigation Report and the Independent Internal Control Review Report on 19 September 2024. Key findings from both reports, along with the view of the Board and Audit Committee and remedial actions taken by the Board, were published by the Company on 25 September 2024.

The Independent Investigation had certain limitations in respect of the nature and extent of the procedures conducted, mainly arising from limitations in the available information and responses from the individuals involved. During the course of the preparation of the consolidated financial statements of the Group for the years ended 31 December 2022 and 2023, the Board took into account the following findings of the Independent Investigation and the Independent Internal Control Review, considered the relevant information and supporting evidence available and used their best effort to estimate the relevant financial impact of the matters identified in the Independent Investigation and the Independent Internal Control Review.

Unauthorised deposit and fund transfers

As detailed in the announcement of the Company dated 25 September 2024, in relation to the summary of the key findings of the Independent Investigation, the Audit Committee and the Board concluded that the occurrence of the Abnormal Transactions resulted from the wrongdoings by China Jiayuan Group Limited ("**China Jiayuan**"), a company then indirectly held approximately 74.09% of the issued Shares of the Company and ultimately controlled by Mr. Shum. These transactions were not properly authorised and had bypassed the then corporate governance and internal control of the Group. The Abnormal Transactions were effected by unauthorised and undisclosed deposit and fund transfers without the permission or authorisation of the Board and senior management of the Company. The former management of certain subsidiaries of the Group directly executed instructions from China Jiayuan, without any written records and justifications.

The Abnormal Transactions included both offshore and onshore transactions.

The Offshore Transactions

Based on the Independent Investigation, the Company entered into a consultancy agreement on 1 January 2021 with Evergain Zhiyuan International Trading Limited ("**Evergain**"), a company incorporated in Hong Kong, which was extended through 31 December 2025. Evergain was tasked with advising on and managing acquisition deposits for potential mergers and acquisitions on behalf of the Company. Despite these arrangement and payments, no successful acquisitions materialised, and the Company demanded a refund from Evergain in September 2023. It was only in November 2023, after making inquiries with China Jiayuan and subsequently being notified by Evergain, that the Company became aware of the whereabouts of approximately HK$178,000,000 (equivalent to RMB159,007,000). These deposits had been directed by China Jiayuan to be refunded and transferred from Evergain to Mingyuan Group Investment Limited (明源集團投資有限公司) ("**Mingyuan Group**"), a company incorporated in the BVI with limited liability, which was the then intermediate holding company of the Company and was ultimately controlled by Mr. Shum, without the permission or authorisation of the Board and senior management of the Company in September 2022.

The Onshore Transactions

The Independent Investigation Agency identified that during 2021 and 2022, there were multiple fund inflows and outflows involving the Group and various onshore entities, including independent third parties and related parties of the Company. The former management of certain subsidiaries of the Group, acted upon instructions from China Jiayuan without the permission or authorisation of the Board and senior management of the Company, arranging for unauthorised and undisclosed funds to be transferred to, or received from, these onshore entities. These fund inflows and outflows transactions were for the settlement of debts or payables of entities such as Shanghai Xiangyuan Real Estate Development Co., Ltd. (上海祥源房地產開發有限公司) ("**Shanghai Xiangyuan**"), Zhejiang Jiayuan Shencheng Real Estate Group Co., Ltd. (浙江佳源申城房地產集團有限公司) ("**Zhejiang Shencheng**"), and Nanjing Jiafeng Consultancy Management Co., Ltd. (南京嘉豐諮詢管理有限公司) ("**Nanjing Jiafeng**"), all limited liability companies established in the PRC, and ultimately controlled by Mr. Shum, the then ultimate controlling party of the Company.

Due to these deficiencies in corporate governance and internal controls, particularly the inadequate mechanisms for handling of payment instructions directed by China Jiayuan, the former management of certain subsidiaries of the Group executed these instructions directly without any written records and justifications. The Company was unable to locate the complete corroborating documents to substantiate the reasons for and the commercial substance of the unauthorised deposit and fund transfer. Consequently, the Audit Committee and the Board were unable to opine on whether these transactions were conducted on normal commercial terms after arm's length negotiation, nor could they deem them fair and reasonable, or in the best interests of the Company and its Shareholders.

A summary of the Abnormal Transactions is set out below:

	Year ended 31 December		
	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*
Deposits transfer and fund outflows from the Group			
– offshore transactions	**–**	159,007	–
– onshore transactions	**–**	949,975	885,975
	–	1,108,982	885,975
Fund inflows to the Group			
– onshore transactions	**–**	465,163	885,975
	–	465,163	885,975

	As at 31 December		
	2023	2022	2021
	RMB'000	*RMB'000*	*RMB'000*
Net outflows due from			
– Mingyuan Group	**159,007**	159,007	–
– Shanghai Xiangyuan	**191,540**	191,540	–
– Zhejiang Shencheng	**158,272**	158,272	–
– Nanjing Jiafeng	**135,000**	135,000	–
Total net outflows	**643,819**	643,819	–

Financial impact of the Abnormal Transactions

During the year ended 31 December 2022, the unauthorised deposits transfer under the offshore transactions amounted to approximately RMB159,007,000 and unauthorised fund inflows and outflows under the onshore transactions amounted to approximately RMB465,163,000 and RMB949,975,000 (2021: RMB885,975,000 and RMB885,975,000), respectively. In the opinion of the Audit Committee and the Board, the unauthorised fund transfers identified during the year ended 31 December 2021 did not lead to net fund outflows, thus having no financial impact on the consolidated financial statements of the Group for the year.

No further loss or recovery of loss on Abnormal Transactions was recognised for the year ended 31 December 2023.

As a consequence of the above unauthorised deposit and fund transfers, as at 31 December 2022, the Group recorded total net outflows of approximately RMB643,819,000 as amounts due from related parties in respect of the Abnormal Transactions and have been included in other receivables. Although the Group has continuously demanded refunds from the related parties and taken appropriate legal actions to recover the outstanding amounts, no repayments have been received to date. After taking into account the expected recoverability of the balances, the Group has concluded that it is unlikely to recover the outstanding amounts and hence the Group recognised a loss on the Abnormal Transactions of RMB643,819,000 to fully write down the balances. This loss was recorded separately in an item in the consolidated statement of comprehensive income for the year ended 31 December 2022.

To prevent the recurrence of similar matters in the future, as published in the Company's announcement dated 25 September 2024, the Company has appointed an internal control consultant to review the Group's internal controls and procedures and provide recommendations and remedial measures to the Group to strengthen the existing corporate governance and internal controls, particularly to strengthen its governance and supervision over the financial controls of the Company. The Group is in the process of implementing the recommended remedial measures.

Unauthorised shares pledged

As detailed in the announcement of the Company dated 30 September 2024, during the Independent Internal Control Review, it was identified that in March 2022, the former management of certain subsidiaries of the Group, acted upon instructions from China Jiayuan without the permission or authorisation of the Board and senior management of the Company, entered into an unauthorised and undisclosed share pledge agreement. Under this agreement, Zhejiang Heyuan Property Services Co., Ltd. (浙江禾源物業服務有限公司) ("**Zhejiang Heyuan**"), an indirect wholly-owned PRC subsidiary of the Company, agreed to pledge its equity interest in Zhejiang Jiayuan Property Services Group Co., Ltd. (浙江佳源物業服務集團有限公司), ("**Zhejiang Jiayuan Services**") currently known as Zhejiang Zhixiang Dacheng Property Services Group Co., Ltd (浙江智想大成物業服務集團有限公司) ("**Zhejiang Zhixiang Dacheng**"), also an indirect wholly-owned PRC subsidiary of the Company, and all underlying interest thereof (the "**Pledged Shares**"). The pledge was to secure the repayment obligation of Mr. Shum, as borrower, in respect of a personal loan of RMB80,000,000 from an external lender. The loan was interest-bearing at 18% per annum, repayable on 31 May 2022 and was further secured by properties held by two related parties under Mr. Shum's control, with joint and several guarantee obligations provided by one of the related parties.

Following Mr. Shum's failure to repay, the lender initiated legal proceedings against Mr. Shum as the borrower and a guarantor party in July 2022. By September 2022, a civil mediation paper was issued, affirming the lender's right to enforce repayment of the loan's principal and interest, and to receive preferential rights to proceeds from the auction or sale of pledged properties and the Pledged Shares. In March 2023, the court granted an enforcement order, and execution proceeding resumed in March 2024. Up to the end of November 2024, one of the pledged properties has been auctioned successfully while process on auctioning another pledged property is in progress. There were no further actions taken on the remaining pledged properties and the Pledged Shares.

The extent to which Mr. Shum will be able to repay the lender for the outstanding principal and interests of the loan remains uncertain. Based on legal advice, should the lender exercise their preferential right to be paid off with the proceeds from the auction or sale of the Pledged Shares, the Group, including Zhejiang Heyuan, may participate in the auction or negotiate directly with the lender to settle the debt and secure the release of the Pledged Shares. The Group also reserves the right to challenge the auction process through legal avenues. Should the Pledged Shares eventually be auctioned or sold, the lender is entitled only to an amount equivalent to the unpaid portion of the loan, while Zhejiang Heyuan could claim damages from Mr. Shum for the recovery of any losses incurred.

With the assistance of an independent third-party valuer, the Group recognised a provision of approximately RMB37,482,000 for loss on unauthorised Pledged Shares. The amount represents the Group's best estimate of the probable cash outflow arising from the obligations under the share pledge agreement, taking into account the net realisable value of the pledged properties. It was recorded separately in an item in the consolidated statement of comprehensive income for the year ended 31 December 2022. For the year ended 31 December 2023, an addition provision of approximately RMB11,833,000, was recognised to account for the interest accrued over the period.

The Board is of the view, based on the legal advice, that the Group will be able to recover the Pledged Shares, and that the civil mediation paper does not affect the normal business and operations of the Group.

Unauthorised guarantee

As described in detail in the announcement dated 13 November 2024, on 27 July 2023, two indirectly wholly-owned PRC subsidiaries of the Company, Zhejiang Heyuan and Zhejiang Jiayuan Services (collectively referred to as the "**Involved Subsidiaries**"), entered into unauthorised guarantee agreements with two independent third parties, as creditors, and the Involved Subsidiaries, as guarantors. These agreements, also involving a related party controlled by Mr. Shum as guarantors, stipulated that the Involved Subsidiaries and the related party would provide joint liability guarantees for all creditors' rights, effective for three years following the obligation fulfillment period. This arrangement was in favour of Chaohu Xutong Business Management Co., Ltd., ("**Chaohu Xutong**"), a PRC limited liability company under Mr. Shum's control, pursuant to an equity transfer agreement dated 27 July 2023. In this equity transfer agreement, Chaohu Xutong as transferee, agreed to acquire the entire equity interest of a target company from the two independent third parties, as transferors, for a consideration of RMB123,000,000, payable in one lump sum within 60 days from the effective date of the equity transfer agreement.

Following Chaohu Xutong's failure to fulfill this payment, the creditors initiated arbitration through the Shanghai Arbitration Commission (the "**SAC**") in December 2023. In April 2024, without proper authorisation, the legal advisers of the Involved Subsidiaries attended the arbitration hearing and entered into a settlement agreement, mandating a combined compensation to the creditors of approximately RMB124,000,000, being the consideration and the arbitration fee, as confirmed by the SAC through an arbitration mediation statement.

The Shanghai No. 2 Intermediate People's Court enforced this settlement on 8 October 2024, freezing certain bank accounts of the Involved Subsidiaries and designating the Involved Subsidiaries as "dishonest persons subject to enforcement," which imposed consumption restrictions on their legal representatives.

The Company became aware of the incident only after the freezing of certain bank accounts of the Involved Subsidiaries. Further investigation revealed unauthorised use of company seals on the guarantee agreements by China Jiayuan on 1 November 2023, which occurred post-agreement.

The Audit Committee and Board concluded that the unauthorised guarantee resulted from China Jiayuan's wrongdoing in bypassing the Group's then existing corporate governance and internal controls, leading to a lack of necessary approvals by the Board. Consequently, the validity of the settlement agreement is under scrutiny due to these procedural irregularities.

Based on the legal advice, the creditors could legally demand payment based on the settlement agreement. Should the Involved Subsidiaries assume all payment obligations, they may seek full recovery from Chaohu Xutong and any excess amount from the related party, which has assumed joint liability for the payment obligations. According to the PRC Civil Code, guarantors share equal liability unless otherwise agreed.

The Group has recognised an expected credit loss of approximately RMB123,000,000, based on the consideration of the equity transfer associated with this unauthorised guarantee. This amount was recorded separately in an item in the consolidated statement of comprehensive income for the year ended 31 December 2023.

2.1.3 Going concern basis

The Group incurred a net loss of approximately RMB77,394,000 during the year ended 31 December 2023, and as of that date, the Group had net current liabilities of approximately RMB289,050,000, capital deficiency of approximately RMB111,801,000 and accumulated losses of approximately RMB532,904,000. Further, as detailed in Note 2.1.2, should the Pledged Shares be auctioned or sold, resulting in the Group losing control over Zhejiang Jiayuan Services and its subsidiaries, these entities will therefore be de-consolidated from the consolidated financial statements of Group in accordance with the requirements of HKFRS 10 Consolidated Financial Statements. These events and conditions indicate the existence of a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of its business. Notwithstanding the above, these consolidated financial statements have been prepared on a going concern basis as the directors of the Company have given careful consideration to the impact of the current and anticipated future liquidity of the Group and are satisfied that:

(i) The unconditional financial support from VCL, which has been obtained to procure the necessary finance and support to the Group for a period of not less than twelve months from the date of approval of the consolidated financial statements by the Board; and

(ii) The Board have reviewed the Group's cash flow forecast, prepared by management which covers a period of two years from the end of the reporting period and will continue to assess the impact of the recovery from COVID-19 pandemic, as well as any change in government policy, global financial market, the economy, and the business environment on the Group's operations. The Group will adjust its strategies for its property management businesses accordingly to generate sufficient operating cash flows to meet its current and future obligations;

(iii) The contract liabilities of approximately RMB130,962,000 is non-financial liabilities and will be recognised as revenue in the subsequent year;

(iv) The existing banking facilities available for the Group; and

(v) As detailed in Note 2.1.2 and based on legal advice obtained regarding the unauthorised Pledged Shares, the Group possesses the options to participate in the auction or directly negotiate with the lender to settle the outstanding debt and secure the release of the Pledged Shares. Additionally, the Group reserves the right to challenge the auction process through legal avenues. The Board considers the Group will be able to recover the Pledged Shares and it will not result in a loss of control over Zhejiang Jiayuan Services and its subsidiaries.

In addition, to improve the Group's financial position, the directors of the Company are actively exploring different alternatives for equity or other financing.

Having taken into account the above, the directors consider that the Group will have sufficient financial resources to meet in full its working capital requirements and financial obligations as and when they fall due within the next twelve months. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

Notwithstanding the above, significant uncertainties exist as to whether the management will be able to achieve its plans and measures as described above. Whether the Group will be able to continue as a going concern would depend upon the Group's ability to generate adequate operating cash flows in the near future and obtain the continuous financial support from its beneficial owner, at a level sufficient to finance the working capital requirements of the Group.

Should the Group be unable to continue as a going concern, adjustments would have to be made to restate the values of the assets to their recoverable amounts, to provide for any further liabilities which might arise and to classify non-current assets and liabilities as current assets and liabilities respectively. The effects of these potential adjustments have not been reflected in these consolidated financial statements.

2.1.4 New and emended standards

The principal accounting policies applied in the preparation of the consolidated financial statements are in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"). The consolidated financial statements also comply with the disclosure requirements of the Hong Kong Companies Ordinance (Cap.622). The consolidated financial statements have been prepared under the historical cost convention.

(a) New and amended standards adopted by the Group

The Group has applied new and amended standards effective for the financial period beginning on 1 January 2023. The adoption of these new and revised standards does not have any significant impact on the consolidated financial statements of the Group.

(b) New and amended standards and interpretations not yet adopted

Certain new or revised accounting standards, amendments and interpretations to existing standards have been published but are not yet effective in current year and have not been early adopted by the Group.

The Group has already commenced an assessment of the impact of these new or revised standards and amendments and interpretations, certain of which are relevant to the Group's operations. According to the preliminary assessment made by the directors of the Company, no significant impact on the financial performance and position of the Group is expected when they become effective.

3 SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Operating Decision Maker ("**CODM**"). The CODM, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company.

The Group is principally engaged in the provision of property management services, value-added services to property developers and community value-added services in the PRC. The CODM reviews the operating results of the business of the Group as one operating segment to make decisions about resources to be allocated. Therefore, the CODM regards that there is only one operating segment which is used to make strategic decisions.

The major operating entities of the Group are domiciled in the PRC and all of the Group's revenue were derived in the PRC during the years ended 31 December 2023 and 2022.

As at 31 December 2023 and 2022, all of the non-current assets were located in the PRC.

4 REVENUE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Types of services		
Property management services	**762,203**	790,039
Value-added services to property developers	**30,562**	90,066
Community value-added services	**75,446**	64,688
	868,211	944,793
Revenue from contracts with customers is recognised:		
– Over time	**855,511**	931,660
– At a point in time	**12,700**	13,133
	868,211	944,793

For the year ended 31 December 2023, revenue from the entities under the control or significant influence of Mr. Shum, the former ultimate controlling party of the Company, contributed 2% (2022: 8%) of the Group's revenue up until 6 September 2023, the date Mr. Shum no longer retained control over the Group. Other than these entities, none of the Group's Customers contributed 10% or more of the Group's revenue during the year.

5 OTHER INCOME AND EXPENSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Government grants	**4,859**	6,158
Value-added tax refund	**1,636**	1,956
Interest income on bank deposits	**237**	3,117
Late fees and penalties	**(1,276)**	2,262
Others	**(806)**	(95)
	4,650	13,398

For the year ended 31 December 2023, the government grants were awarding to recognise the Group's past contribution to local economic growth. The grants, at the discretion of the relevant authorities, were accounted for as financial support with no future related costs expected to be incurred nor related to any assets. As such, the grants recognised in the consolidated statement of comprehensive income when the grants were received.

6 OTHER GAINS AND LOSSES, NET

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Exchange gain, net	**111**	13,771
Fair value gain on consideration payable for business combination	**4,746**	21,684
Loss on disposal of an associate	**–**	(124)
Gain on disposal of subsidiaries	**250**	990
Gain on disposals of property and equipment	**131**	1,006
Others	**(55)**	–
	5,183	37,327

7 LOSS FOR THE YEAR

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Depreciation of right-of-use assets	**79**	1,500
Depreciation of property and equipment	**10,868**	10,138
Amortisation of intangible assets	**9,556**	9,556
Cost of inventories sold	**7,016**	6,998
Auditor's remuneration		
– Annual audit services	**3,150**	3,900
– Non audit services	**126**	11
Short-term lease expenses	**2,581**	2,525

8 EMPLOYEE BENEFIT EXPENSES

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Wages, salaries and bonuses	**333,835**	383,771
Social insurance and housing provident fund contributions	**51,517**	47,451
Other benefits	**20,692**	23,505
	406,044	454,727

All employees of the subsidiaries in the PRC participate in employee social insurance plans established in the PRC, which cover pension, medical and other welfare benefits. The plans are organised and administered by the government authorities. Except for the contributions made to these social insurance plans, the Group has no other material commitments owing to the employees. According to the relevant regulations, the contributions paid by the Group are principally determined based on percentages of the basic salaries of employees, subject to certain ceilings imposed. These contributions are expensed as incurred.

During the years ended 31 December 2023 and 2022, the Group had no forfeited contribution which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 which may be used by the Group to reduce the contribution payable in the future years.

Contributions totalling RMB19,631,000 (2022: RMB19,631,000) were payable to the fund at the year-end.

9 FINANCE COSTS

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Interest expense on bank borrowings	**1,681**	2,277
Interest expense on lease liabilities	**1**	22
	1,682	2,299

10 INCOME TAX EXPENSE

	Year ended 31 December	
	2023	2022
	RMB'000	*RMB'000*
Current income tax charge	**16,653**	49,510
Deferred income tax charge/(credit)	**3,791**	(35,498)
	20,444	14,012

Corporate income tax

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

No provision for Hong Kong profits tax has been made as the Group had no estimated assessable profit generated in Hong Kong for the year (2022: Nil).

Income tax provision of the Group in respect of operations in the PRC has been calculated at the applicable tax rates (i.e. ranging from 5% to 25%) on the estimated assessable profits for the year.

11 LOSS PER SHARE – BASIC AND DILUTED

(a) Basic loss per share

Basic loss per share is calculated by dividing the loss attributable to owners of the Company by the weighted average number of ordinary shares in issue during the respective years.

	Year ended 31 December	
	2023	2022
Loss attributable to owners of the Company (RMB'000)	**(80,914)**	(664,336)
Weighted average number of ordinary shares in issue (in thousands)	**611,709**	611,709
Basic loss per share (RMB)	**(0.13)**	(1.09)

(b) Diluted loss per share

Diluted loss per share were the same as the basic loss per share as there were no potentially dilutive ordinary shares outstanding during the years ended 31 December 2023 and 2022.

12 DIVIDENDS

The Board of Directors did not recommend the payment of any dividend for the years ended 31 December 2023 and 2022.

13 TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables *(a)*	**313,790**	313,900
Other receivables *(b)*	**55,217**	43,204
Prepayments	**8,913**	8,297
Trade and other receivables, net	**377,920**	365,401

As at 31 December 2023, most of the trade and other receivables were denominated in RMB, and the fair value of trade and other receivables approximated their carrying amounts.

(a) Trade receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade receivables	**525,562**	481,159
Less: allowance for impairment	**(211,772)**	(167,259)
	313,790	313,900

Trade receivables mainly arise from property management services income under lump sum basis and value-added services to property developers. Property management services income under lump sum basis are received in accordance with the terms of the relevant service agreements. Service income from property management services are due for payment by the residents upon the issuance of demand note.

No credit term is granted to Customers. The ageing analysis of the trade receivables based on invoice date and net of allowance for impairment was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0-60 days	**50,459**	82,751
61-180 days	**48,393**	66,989
181-365 days	**40,308**	55,216
1-2 years	**111,394**	67,332
2-3 years	**42,028**	36,494
3-4 years	**18,668**	4,844
4-5 years	**2,540**	12
More than 5 years	**–**	262
	313,790	313,900

(b) Other receivables

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Other receivables		
– Deposits and payments made on behalf of Customers	**69,522**	47,856
– Due from related parties	**2,750**	10,493
– Due from related parties in respect of the Abnormal Transactions (i)	**–**	–
– Others	**48**	840
	72,320	59,189
Less: allowance for impairment	**(17,103)**	(15,985)
	55,217	43,204

(i) As at 31 December 2022, net fund outflows totaling of approximately RMB643,819,000 were arising from the Abnormal Transactions, in which approximately RMB159,007,000 (equivalent to approximately HKD178,000,000), RMB191,540,000, RMB158,272,000 and RMB135,000,000 were due from related parties, namely Mingyuan Group, Shanghai Xiangyuan, Zhenjiang Shencheng and Nanjing Jiafeng, respectively. Although the Group has continuously demanded refunds from the related parties and taken appropriate legal actions to recover the outstanding amounts, no repayments have been received to date. After taking into account the expected recoverability of the balances, the Group has concluded that it is unlikely to recover the outstanding amounts and hence the Group has recognised a loss on the Abnormal Transactions of approximately RMB643,819,000 to fully write down the balances. This loss is recorded separately in an item in the consolidated statement of comprehensive income for the year ended 31 December 2022. No further loss or recovery of loss on Abnormal Transactions was recognised for the year ended 31 December 2023.

Details of Independent Investigation and the summary of loss on the Abnormal Transactions are set out in Note 2.1.2.

14 TRADE AND OTHER PAYABLES

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
Trade payables *(a)*	**74,064**	94,532
Other payables		
– Utility and other charges	**61,325**	79,376
– Owners' maintenance fund	**40,375**	32,449
– Deposits received	**76,466**	78,225
– Consideration payable for business combinations	**649**	5,395
– Payroll payable	**62,363**	72,635
– Other taxes payables	**12,397**	11,657
– Others	**33,406**	25,631
	286,981	305,368
	361,045	399,900

(a) The ageing analysis of trade payables based on the invoice date was as follows:

	As at 31 December	
	2023	2022
	RMB'000	*RMB'000*
0-60 days	**27,108**	34,571
61-180 days	**8,812**	19,829
181-365 days	**17,158**	20,051
More than 1 year	**20,986**	20,081
	74,064	94,532

AUDIT OPINION

The below sections set out an extract of the report by RSM regarding the Group's consolidated financial statements for the year ended 31 December 2023.

EXTRACT OF THE INDEPENDENT AUDITOR'S REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2023

Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion section of our report, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") issued by the Hong Kong Institute of Certified Public Accountants (the "**HKICPA**"), and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Qualified Opinion

The consolidated financial statements for the year ended 31 December 2022, which form the basis for the comparative figures presented in the consolidated financial statements for the year ended 31 December 2023, included a disclaimer of opinion on the consolidated financial performance and consolidated cash flows of the Group, as we were unable to obtain sufficient appropriate audit evidence to ascertain the business rationale, commercial substance, counterparties and disclosure of the Abnormal Transactions; the completeness, accuracy and validity of the underlying documents of the Abnormal Transactions and the classification and presentation of the loss on the Abnormal Transactions of approximately RMB643,819,000 for the year ended 31 December 2022. These issues were stated in the section of "Unauthorised debt and funds transfers" in Note 2.1.2 to the consolidated financial statements. Our opinion on the current period's financial statements is also modified because of the possible effects of the matter on the comparability of the current period's figures and the comparative figures.

Material Uncertainty Related to Going Concern

We draw attention to Note 2.1.3 to the consolidated financial statements, which indicates that the Group incurred a net loss of approximately RMB77,394,000 during the year ended 31 December 2023 and, as of that date, the Group had net current liabilities of approximately RMB289,050,000, capital deficiency of approximately RMB111,801,000 and accumulated losses of approximately RMB532,904,000, respectively. These conditions, along with other matters set forth in Note 2.1.3 to the consolidated financial statements, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

STATEMENT OF THE BOARD OF DIRECTORS

To the shareholders of the Company (the "Shareholders"):

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Jiayuan Services Holdings Limited (the "**Company**" or "**Jiayuan Services**", together with its subsidiaries, the "**Group**"), we are pleased to present the report on the annual results of the Group for the year ended 31 December 2023.

In 2023, China's property management industry moved forward steadily on the road of reshaping and optimisation. The focus of the market has shifted from the pursuit of scale expansion to the optimisation of stocks. Enterprises have returned to the origin of service and devoted themselves to the deep exploration and improvement of service value, paying more attention to refined management and cost structure optimisation, improving service efficiency and professionalism, and actively embracing market changes with a focus on quality services, seeking more long-term and stable development.

Despite facing many challenges during this profound industry transformation, Jiayuan Services is still actively exploring in the complex and volatile market environment, and has demonstrated its tenacity for development through a series of strategic adjustments and internal optimisation measures.

The Company actively constructs a whole-process cost management system and made great achievements particularly in cost planning and control. Through the well-designed "diagnosis table", the expense items were analysed in depth from multiple dimensions, accurately presenting various key cost indicators such as per capita output value, per capita service area, and per square meter per capita spending. This refined management model not only achieved effective cost control, but also ensured the stability of profits, achieving a partial improvement in operating performance, ensuring that the company maintained its cost advantage in the fierce market competition and achieving optimal allocation of resources. Through continuous business process reformation and improved resource utilisation efficiency, the Company has effectively reduced operating costs and improved overall operating efficiency, laying a solid foundation for the sustainability of the Company.

In the process of reformation and innovation of the management system, we have gradually improved and formed a management system "System Standards" with our own characteristic, product system "3546565", perception system "3339393", the moving line system "528", the worry-free system "6+1", and the sincerity system "12345-0". The establishment and implementation of these systems will help us operate more efficiently, improve the work efficiency of our employees, enhance the core competitiveness of the enterprise, and ensure the stability and reliability of product quality, thereby achieving a steady improvement in corporate value. At the same time, with the expansion of the Company's diversified business and continuous optimisation of its governance structure, the Company clearly defines the responsibility boundaries of each governing body and formed a scientific and effective decision-making mechanism.

People are the foundation of the world. We take the heart of the people as the basis, focusing on improving their quality of life, and ensuring peace and security, and we are committed to caring for the welfare of the property owners. Our operating principle is to become a comprehensive service provider that meets the desires, aspirations and expectations of the people. Through intensive management to reduce costs, use scientific methods and methods to increase efficiency, maximize the interests of shareholders, and build the park into a scene for owners to pursue a better life, helping to realize the harmonious development of society and the people's yearning for a better life. This is also the essence and vision of Jiayuan services.

By order of the Board
Jiayuan Services Holdings Limited
Pang Bo
Executive Director

MARKET REVIEW

In 2023, the entire property industry will continue to move forward amid the ups and downs, and high-quality development will become the main theme of the industry. With the continued downturn in the capital market, the willingness of property companies to go public has weakened significantly, with only a few new a few new applications submitted throughout the year. However, some of the listed property companies have initiated share repurchases, showing their confidence in the industry and their own development. In the M&A market, the previous enthusiasm has completely dissipated, and transaction activity has further declined compared to last year. Property companies are no longer solely focused on increasing their scale, but are actively exiting low-quality projects, optimizing project structures, and actively participating in market competition for high-quality projects, with the aim of effectively improving the quality of the overall management scale.

BUSINESS REVIEW

As at 31 December 2023, the Group had 289 property management projects with contracted GFA of approximately 57.8 million sq.m., representing a decrease of approximately 10.2% and 4.8%, respectively, as compared with that of 322 property management projects with contracted GFA of approximately 60.7 million sq.m. in the corresponding period in 2022. As at 31 December 2023, the Group had GFA under management of approximately 42.8 million sq.m., representing an increase of approximately 1.9% as compared with that of approximately 42.0 million sq.m. in the corresponding period in 2022. The increase in contracted GFA was attributable to the gradual delivery of previously contracted projects and market expansion activities.

The revenue of the Group for the year ended 31 December 2023 was approximately RMB868.2 million, representing a decrease of approximately 8.1% as compared to the corresponding period of approximately RMB944.8 million in 2022. The gross profit of the Group for the year ended 31 December 2023 was approximately RMB242.1 million, representing a decrease of approximately 13.5% as compared to the corresponding period of approximately RMB279.9. million in 2022. The gross profit margin of the Group for the year ended 31 December 2023 was approximately 27.9% compared with that of approximately 29.6% in the corresponding period in 2022. The Group's loss and total comprehensive expenses for the year decreased from approximately RMB660.6 million for the year ended 31 December 2022 to a loss of approximately RMB77.4 million for the year ended 31 December 2023.

In terms of the property management service business, revenue from property management services decreased by approximately 3.5% from approximately RMB790.0 million for the year ended 31 December 2022 to approximately RMB762.2 million for the year ended 31 December 2023, primarily attributable to the decrease in average property service fee.

In terms of value-added services to property developers, revenue from value-added services to property developers decreased by approximately 66.1% from approximately RMB90.1 million for the year ended 31 December 2022 to approximately RMB30.6 million for the year ended 31 December 2023, primarily attributable to the decrease in the number of venue services items and new projects delivered.

In terms of community value-added services, Revenue from community value-added services increased by approximately 16.6% from approximately RMB64.7 million for the year ended 31 December 2022 to approximately RMB75.5 million for the year ended 31 December 2023, primarily due to the increase in value-added service items and the increase in the unit price per resident to whom the Group provided community value-added services.

FINANCIAL REVIEW

Revenue

The revenue of the Group derives from three types of services: (i) property management services; (ii) value-added services to property developers; and (iii) community value-added services. The revenue of the Group decreased by approximately 8.1% from approximately RMB944.8 million for the year ended 31 December 2022 to approximately RMB868.2 million in for the year ended 31 December 2023.

The following table sets forth the details of the Group's revenue by types of services for the years indicated:

	Year ended 31 December					
	2023		2022		Changes	
	RMB'000	***%***	*RMB'000*	*%*	*RMB'000*	*%*
Property management services	**762,203**	**87.8**	790,039	83.6	(27,836)	(3.5)
Value-added services to property developers	**30,562**	**3.5**	90,066	9.5	(59,504)	(66.1)
Community value-added services	**75,446**	**8.7**	64,688	6.9	10,758	16.6
	868,211	**100**	944,793	100.0	(76,582)	(8.1)

Property management services

Revenue from property management services decreased by approximately 3.5% from approximately RMB790.0 million for the year ended 31 December 2022 to approximately RMB762.2 million for the year ended 31 December 2023, primarily attributable to the decrease in average property service fee.

Value-added services to property developers

Revenue from value-added services to property developers decreased by approximately 66.1% from approximately RMB90.1 million for the year ended 31 December 2022 to approximately RMB30.6 million for the year ended 31 December 2023, primarily attributable to the decrease in the number of venue services items and new projects delivered.

Community value-added services

Revenue from community value-added services increased by approximately 16.6% from approximately RMB64.7 million for the year ended 31 December 2022 to approximately RMB75.5 million for the year ended 31 December 2023, primarily due to the increase in value-added service items and the increase in the unit price per resident to whom the Group provided community value-added services.

Cost of services and sales

The cost of services and sales consists of (i) employee benefit expenses; (ii) maintenance expenses; (iii) expenses for utility; (iv) cleaning and security expenses; (v) greening and gardening expenses; (vi) taxes and surcharges; (vii) office and communication expenses; and (viii) other expenses such as depreciation and amortisation.

Cost of services and sales decreased by approximately 5.8% from approximately RMB664.9 million for the year ended 31 December 2022 to approximately RMB626.1 million for the year ended 31 December 2023, primarily due to the decrease in salary base as a result of the decrease in staff salary.

Gross profit and gross profit margin

The gross profit of the Group decreased by approximately 13.5% from approximately RMB279.9 million for the year ended 31 December 2022 to approximately RMB242.1 million for the year ended 31 December 2023, which was mainly due to the reduction of income from value-added services to non-property owners.

The gross profit margin decreased from approximately 29.6% for the year ended 31 December 2022 to approximately 27.9% for the year ended 31 December 2023. Such a decrease was primarily attributable to the reduction of income from property management services.

The following table sets forth the details of the Group's gross profit and gross profit margin by types of services for the years indicated:

	For the year ended 31 December			
	2023		2022	
	Gross profit *RMB'000*	**Gross profit margin** *%*	Gross profit *RMB'000*	Gross profit margin *%*
Property management services	**201,498**	**26.4**	225,911	28.6
Value-added services to property developers	**9,586**	**31.4**	28,235	31.4
Community value-added services	**30,991**	**41.1**	25,794	39.9
Total	**242,075**	**27.9**	279,940	29.6

Property management services

The gross profit margin of property management services decreased from approximately 28.6% for the year ended 31 December 2022 to approximately 26.4% for the year ended 31 December 2023, which was mainly due to the increase in staff salary.

Value-added services to property developers

The gross profit margin of value-added services to property developers for the year ended 31 December 2023 remained unchanged at 31.4% as last year.

Community value-added services

The gross profit margin of community value-added services increased from approximately 39.9% for the year ended 31 December 2022 to approximately 41.1% for the year ended 31 December 2023, primarily due to the increase in unit price per resident to whom the Group provided community value-added services.

Other income and expenses, net

Other net income decreased from approximately RMB13.4 million for the year ended 31 December 2022 to approximately RMB4.7 million for the year ended 31 December 2023 mainly due to the decrease of government subsidies in 2023 relative to 2022.

Selling and marketing expenses

Selling and marketing expenses decreased from approximately RMB11.3 million for the year ended 31 December 2022 to approximately RMB7.6 million for the year ended 31 December 2023, representing a decrease of approximately 32.7%, mainly as a result of decreased advertising expenses.

Administrative expenses

Administrative expenses decreased from approximately RMB81.9 million for the year ended 31 December 2022 to approximately RMB64.8 million for the year ended 31 December 2023, representing a decrease of approximately 20.9%. The decrease in administrative expenses was mainly attributable to the adjustment in the organisation structure and the decrease in the headcount of management staff.

Finance costs

Finance costs represented interest expenses on bank borrowings and interest expenses on lease liabilities due to the adoption of HKFRS 16 Leases.

Income tax expenses

Income tax expenses was approximately RMB20.4 million for the year ended 31 December 2023, representing an increase from approximately RMB14.0 million for the year ended 31 December 2022, which was in line with the decrease in loss before tax for the year.

Loss and total comprehensive expenses for the year

As a result of the foregoing, the loss and total comprehensive expenses for the year decreased from approximately RMB660.6 million for the year ended 31 December 2022 to a loss of approximately RMB77.4 million for the year ended 31 December 2023.

The loss and total comprehensive expenses attributable to owners of the Company for the year decreased from approximately RMB664.3 million for the year ended 31 December 2022 to approximately RMB80.9 million for the year ended 31 December 2023.

Property and equipment

The property and equipment of the Group decreased from approximately RMB26.6 million as at 31 December 2022 to approximately RMB25.8 million as at 31 December 2023, representing a decrease of approximately 3%, mainly due to the yearly depreciation of office equipment and operation equipment.

Intangible assets

The intangible assets of the Group comprise property management contracts and goodwill resulting from equity acquisition and the purchase of software.

The intangible assets of the Group decreased from approximately RMB130.4 million as at 31 December 2022 to approximately RMB120.8 million as at 31 December 2023, representing a decrease of approximately 7.6%, mainly due to the yearly amortisation.

Trade and other receivables

Trade receivables mainly arise from provision of property management services, value-added services to property developers and community value-added services. Trade receivables of the Group, net of allowance for impairment, decreased from approximately RMB313.9 million as at 31 December 2022 to approximately RMB313.8 million as at 31 December 2023, representing a decrease of approximately 0.03%. Such a decrease was primarily due to the increase in the provisions for impairment of trade receivables this year.

Other receivables mainly consist of deposits and payments made on behalf of customers. Other receivables, net of allowance for impairment increased from approximately RMB43.2 million as at 31 December 2022 to approximately RMB55.2 million as at 31 December 2023, representing an increase of approximately 27.8%, because of the increase in performance bond as a result of new projects under management.

Trade and other payables

Trade payables represent the obligations to pay for goods and services acquired in the ordinary course of business from sub-contractors. Trade payables decreased from approximately RMB94.5 million as at 31 December 2022 to approximately RMB74.1 million as at 31 December 2023, representing a decrease of approximately 21.6%. Such a decrease was mainly due to the decrease in payables as a result of the decreased costs.

Other payables mainly represent (i) consideration payable for business combinations; (ii) payroll payable; (iii) deposits received such as performance bond, retention deposits from property owners, decoration deposits and tender bond; and (iv) owners' maintenance fund which represented various proceeds received on behalf of the property owners. Other payables decreased from approximately RMB305.4 million as at 31 December 2022 to approximately RMB287.0 million as at 31 December 2023, mainly due to the decrease in utility amount.

Contract liabilities

Contract liabilities mainly arise from property management fee received upfront as of the beginning of a billing cycle but are not recognised as revenue. Contract liabilities increased from approximately RMB116.2 million as at 31 December 2022 to approximately RMB131.0 million as at 31 December 2023, primarily due to the increase in eagerness for the property owners to prepay the property management fee for the next year for discount, influenced by the overall economic environment.

Liquidity, financial and capital resources

As at 31 December 2023, the total cash and cash equivalents and restricted bank deposits of the Group amounted to approximately RMB48.0 million (2022: RMB22.7 million) and approximately RMB3.2 million (2022: RMB1.4 million), respectively. The restricted bank deposits remained stable throughout the corresponding periods.

As at 31 December 2023, the Group had bank borrowings of approximately RMB29.9 million (2022: RMB41.2 million), among which approximately RMB11.3 million (2022: RMB11.4 million) will be repayable within one year or on demand. As at 31 December 2023, all current bank borrowings of the Group were denominated in RMB and carried an effective interest rate of 4.45% (2022: 4.60%) per annum. As at 31 December 2023, bank borrowings of approximately RMB29.9 million (2022: RMB41.2 million) were secured by 100% equity interest of Shanghai Jiayuan Baoji Property Services Co., Ltd. and guaranteed jointly by Mr. Shum Tin Ching and an entity controlled by Mr. Shum Tin Ching.

The Group's short-term liquidity position has weakened compared to last year. As at 31 December 2023, the Group's net current liabilities amounted to approximately RMB289.1 million while the Group's net current liabilities amounted to approximately RMB214.3 million as at 31 December 2022. As at 31 December 2023, the Group's current ratio (current assets/current liabilities) was approximately 0.60 while the Group's current ratio was approximately 0.65 as at 31 December 2022.

Future plans and prospects

As a line of a poem goes, "someday, with my sail piercing the clouds, we will ride the wind, break the waves, and traverse the vast, rolling sea."

The Group will always adhere to the service tenet of "serving with a heart to build a better place", follow the path of high-quality development, and implement the following six business strategies to grow into a comprehensive service provider for a better life that meets the desires, aspirations and expectations of the people.

(I) Innovation and creativity, product upgrades and perfect presentation. Guided by wisdom and forward-looking thinking, we will clarify, master and apply the underlying thinking logic of the property management, continue to promote the iterative upgrading of products, and ensure perfect presentation through intensive cultivation and meticulous work, and improve the problem-solving ability and service level.

(II) Building brands and actively expanding space and customers. Pursue and build a unique corporate brand image, build brand power, strengthen the core competitiveness of the enterprise, expand the business coverage, improve the regional concentration of project layout and broaden the range of clients we serve.

(III) Embrace diversity, gather, nurture, and develop the most suitable talents. We will build a "service army" with a mindset of righteousness, goodwill, and knowledge, allowing every service provider to have a sense of accomplishment, belonging, and pride through the co-creation and sharing of service value.

(IV) Continuous investment and leveraging the smartest technology. Standing at the forefront of the era, we will apply the Internet of Things, Big Data, and Artificial Intelligence to invest in the construction of an intelligent property management system and technical equipment, achieving flexible services and highly efficient operations.

(V) Cost leadership, spending every penny wisely for our customers. Reshaping cognition from the perspective of customers, accurately grasping the curve of customer service value, and forming sustainable cost advantages and obtaining market competitive advantages through strict cost management, full participation and whole-process control.

(VI) Integrating resources to build a cooperative and mutually beneficial service platform. Utilising both horizontal and vertical integration strategies, we seek long-term and stable partnerships. By leveraging resources, complementary advantages, and professional collaboration, we provide customers with comprehensive service solutions, meeting their service needs in all aspects and achieving mutual benefits for all parties involved.

Capital commitments

As at 31 December 2023, the Group did not have any material capital commitments.

Contingent liabilities

As at 31 December 2023, certain subsidiaries of the Company are defendants in certain claims, lawsuits, arbitrations and potential claims. The directors of the Company after due consideration of each case and with reference to legal advice, consider the claims would not result in any material adverse impact on the consolidated financial position or results and operations of the Group except as detailed below:

Unauthorised shares pledged

As detailed in the announcement of the Company dated 30 September 2024 and the notes to the audited consolidated financial results of the Group for the year ended 31 December 2022, during the Independent Internal Control Review, it was identified that during the financial year ended 31 December 2022, Zhejiang Heyuan Property Services Co., Ltd.* (浙江禾源物業服務有限公司) ("**Zhejiang Heyuan**"), an indirect wholly-owned PRC subsidiary of the Company, entered into the share pledge agreement (the "**Share Pledge Agreement**") with Mr. Zang Ping ("**Mr. Zang**"), an independent third party, pursuant to which, among others, Zhejiang Heyuan agreed to pledge its equity interest in Zhejiang Jiayuan Services (currently known as Zhejiang Zhixiang Dacheng Property Services Group Co., Ltd (浙江智想大成物業服務集團有限公司), also an indirect wholly-owned PRC subsidiary of the Company) in the principal amount of RMB500,000,000, and all underlying interest thereof (the "**Pledged Shares**") to Mr. Zang. The pledge was to secure the repayment obligation of Mr. Shum, as borrower, in respect of the loan agreement dated 31 March 2022 entered into between (i) Mr. Zang as the lender; (ii) Mr. Shum (沈玉興), also known as Mr. Shum Tin Ching (沈天晴) ("**Mr. Shum**"), the then ultimate controlling shareholder of the Company as at the material time of entering into of the Share Pledge Agreement, as the borrower; and (iii) Jiayuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司), a company ultimately and beneficially wholly-owned by Mr. Shum as the guarantor in relation to the provision of the loan in the principal amount of RMB80,000,000.

Mr. Zang had brought a legal proceeding in the PRC against Mr. Shum and Jiayuan Chuangsheng in July 2022. In September 2022, a civil mediation paper was issued, affirming Mr. Zang's right to enforce repayment of the loan's principal and interest, and to receive preferential rights to proceeds from the auction or sale of pledged properties and the Pledged Shares. In March 2023, the court granted an enforcement order, and ordered for the resumption for the execution of such case to be resumed in March 2024. In July 2024, one of the pledged properties has been auctioned successfully while process on auctioning another pledged property is in progress. There were no further actions taken on the remaining pledged properties and the Pledged Shares as at the date of this announcement.

The Group recognised a provision of approximately RMB37,482,000 for loss on unauthorised Pledged Shares as at 31 December 2022. For the year ended 31 December 2023, an addition provision of approximately RMB11,833,000 was recognised to account for the interest accrued over the period.

For details, please refer to the announcement of the Company dated 25 September 2024.

Unauthorised Guarantees to the then ultimate controlling shareholder

Reference is made to the announcement of the Company dated 13 November 2024 (the "**Unauthorised Guarantee Announcement**") in relation to, among others, the provision of the unauthorised guarantee by the Group to the then ultimate controlling shareholder during the year ended 31 December 2023.

Each of Jiayuan Chuangsheng Holding Group Co., Ltd.* (佳源創盛控股集團有限公司) (“**Jiayuan Chuangsheng**”) (a company ultimately and beneficially wholly-owned by Mr. Shum), Zhejiang Heyuan Property Services Co., Ltd.* (浙江禾源物業服務有限公司) (“**Zhejiang Heyuan**”) (an indirect wholly-owned subsidiary of the Company) and Zhejiang Zhixiang Dacheng Property Services Group Co., Ltd.* (浙江智想大成物業服務集團有限公司) (formerly known as ZhejiangJiayuan Property Services Group Co., Ltd.* (浙江佳源物業服務集團有限公司) at the material time)(“**Zhejiang Zhixiang Dacheng**”) (an indirect wholly-owned subsidiary of the Company) has entered into the Guarantee Agreements with Shanghai Jinyuan Investment Centre (Limited Partnership)* (上海金轅投資中心(有限合夥)) (“**Shanghai Jinyuan**”) and Shanghai Zhijin, Asset Management Co., Ltd.* (上海智金資產管理有限公司) (“**Shanghai Zhijin**”), both independent third parties, pursuant to which, among others, each of Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng has agreed to provide joint liability guarantees for the payment obligations of Chaohu Xutong Business Management Co., Ltd.* (巢湖市旭彤商業管理有限公司) (“**Chaohu Xutong**”) under the equity transfer agreement dated 27 July 2023 entered into between Chaohu Xutong as transferee and Shanghai Jinyuan and Shanghai Zhijin as the transferors in relation to, among others, the transfer of the entire equity interest in Hefei Hongguo Hotel Management Co., Ltd.* (合肥弘果酒店管理有限公司) to Chaohu Xutong at a consideration of RMB123 million (the “**Consideration**”).

In December 2023, Shanghai Jinyuan and Shanghai Zhijin filed a request for arbitration (“**Arbitration Request**”) to the Shanghai Arbitration Commission (the “**SAC**”) requested, among others, (a) Chaohu Xutong to pay the Consideration; and (b) Jiayuan Chuangsheng, Zhejiang Heyuan and Zhejiang Zhixiang Dacheng to be jointly liable for the liability of Chaohu Xutong under the Equity Transfer Agreement.

In April 2024, the legal adviser of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng, without being properly authorised, attended the arbitration hearing and entered into a settlement agreement (the “**Settlement Agreement**”). Subsequently, the SAC issued the Arbitration Mediation Statement ((2024) Huzhonganzi No. 0279 ((2024)滬仲案字第 0279 號)) to confirm the terms of the Settlement Agreement.

On 8 October 2024, based on the Arbitration Mediation Statement, the Shanghai No. 2 Intermediate People’s Court (the “**Shanghai No.2 Court**”) accepted the Arbitration Request and issued an enforcement notice (the “**Enforcement Notice**”) to Zhejiang Heyuan and Zhejiang Zhixiang Dacheng ordering for the compulsory enforcement of the Arbitration Mediation Statement and certain bank accounts of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng of up to the amount of approximately RMB124 million be frozen. The Board only became aware of the Arbitration Mediation Statement and the Enforcement Orders upon discovering that certain bank accounts of Zhejiang Heyuan and Zhejiang Zhixiang Dacheng have been frozen. The Board has sought legal advices on potential and necessary follow up actions to be taken by the Group, and has taken legal actions such as applying for the withdrawal of the Arbitration Mediation Statement and the non-enforcement of the Arbitration Mediation Statement to rigorously defend to protect and safeguard the legitimate interest of the Group and the Company is still assessing the financial impact of the Arbitration Mediation Statement and the Enforcement Orders on the Group. Please refer to the announcement of the Company dated 13 November 2024 for further details. The Group has recognised an expected credit loss of approximately RMB123,000,000, based on the consideration of the equity transfer associated with the unauthorised guarantee.

Save as disclosed above, as at 31 December 2023, the Group did not have any other material contingent liabilities.

Pledge of assets

As at 31 December 2023, the Group has the following pledge of material assets:

100% equity interest of the subsidiary, Shanghai Jiayuan Baoji Property Services Co., Ltd. was pledged as security for bank borrowings.

The Group has pledged the Pledged Shares as described in the subsection "Contingent liabilities – Unauthorised shares pledged" above.

Losses caused by Abnormal Transactions, unauthorized Pledged Shares and unauthorised guarantee

For the year ended 31 December 2023, the loss caused by Abnormal Transaction was nil, the loss caused by unauthorized Pledged Shares was approximately RMB11,833,000 and the loss caused by unauthorised guarantee granted by the Group was approximately RMB123,000,000.

MAJOR RISKS AND UNCERTAINTIES

The main risks and uncertainties faced by the Group are set forth below. Such factors are not exhaustive and therefore other risks and uncertainties may also exist.

Industry risks

The operation of the Group may be affected by the regulatory landscape of the PRC property management industry and related measures. In particular, any price control policies of the PRC government in relation to property management fees. The PRC government may also promulgate new laws and regulations related to other aspects of the Group's industry. This could increase the compliance and operational costs of the Group, thereby materially and adversely affecting the business, financial condition and results of operations of the Group. A significant portion of the Group's operations are concentrated in the Yangtze River Delta region. The Group is susceptible to any adverse development in government policies or business environment (including the level of economic activities and the future regional development prospects) in that region. The business performance of the Group depends on the total GFA under management and the number of projects under management. The Group has been seeking to expand the Group's business since the Group's inception through organic growth as well as acquisitions of and investment in other companies. However, the expansion plans of the Group may be affected by the economic condition in general of the PRC, market prospects and development. The Group cannot guarantee that the Group will be able to grow its business as planned.

Business risks

The Group's profitability depends on its ability to estimate or control the costs in performing our property management services. The Group's profit margin and operating results may be significantly and adversely affected by the increase in labor costs, sub-contracting costs and other operating costs. The Group may not be able to collect property management fees from property owners, residents and property developers and as a result, the Group's business, financial position and results of operations may be materially and adversely affected. The Group cannot guarantee that it is able to renew its existing property management service contracts on favorable terms. There is no guarantee that the Group would be able to find other business opportunities and enter into alternative property management service contracts on favorable terms, or at all.

Foreign exchange risk

Almost all of the Group's operating activities are carried out in the PRC with most of the transactions denominated in RMB. The major foreign currency source of the Group was the net proceeds received following the successful listing on the Stock Exchange on 9 December 2020, all of which were denominated in HKD. The Directors expected that the RMB exchange rate would not have any material adverse effect on the operations of the Group. The Group will closely monitor the fluctuations of the RMB exchange rate and adopt prudent measures to reduce potential foreign exchange risk. As at 31 December 2023, the Group did not engage in hedging activities for managing the foreign exchange risk.

Interest rate risk

Except for the interest-bearing bank borrowings, the Group was not exposed to material risk directly relating to changes in market interest rate as at 31 December 2023.

SIGNIFICANT INVESTMENT HELD

The Group had no significant investment held as at 31 December 2023.

MATERIAL ACQUISITIONS AND DISPOSALS

The Group had no material acquisitions and disposals of subsidiaries, associates and joint ventures during the year ended 31 December 2023.

EMPLOYEES AND REMUNERATION POLICY

The Group had 5,891 full-time employees as at 31 December 2023 (31 December 2022: 6,767). The total staff costs for the year ended 31 December 2023 were approximately RMB406.044 million (2022: RMB424.5 million). Employees' remuneration package includes salary, performance bonus and other welfare subsidies. The remuneration of employees is determined in accordance with the Group's remuneration and welfare policies, the employees' positions, performance, company profitability, industry level and market environment.

STAFF TRAINING AND DEVELOPMENT

Employees play a vital role in the Group's service quality and customer experience. Providing employees with career advancement prospects and professional skills training required for business operations is one of the Group's long-term initiatives to retain and motivate talents. The Group regularly provides training programs among the management, which are designed to meet the Group's business needs and long-term strategy. The Group develops training courses for employees every year, which cover the main areas of business operations, including but not limited to corporate culture and policies, technical knowledge required for certain positions, leadership skills and common knowledge of the nature of the Group's services.

For the year ended 31 December 2023, the Group organised 12 intensive training sessions with 1,255 employees participating; management conducted onsite training on the front line for a total of 11 times, with 1,204 employees participating; through the internet and mobile terminals, we organised 40 convenient and efficient learning activities, where the number of participants reached 7,920; we also implemented 3 systematic and targeted product system implementation teachings, with 156 core employees participating; we also organised 2 training sessions for new employees, benefiting 96 new employees in total. In addition, the Group adopted the teaching strategy of "reaching out and inviting in" and introduced advanced training concepts and methods. We encourage employees to actively participate in external training and academic exchanges to broaden their horizons and improve their professionalism. A total of 171 employees have been dispatched to participate in industry certification training. At the same time, the Group also focuses on cooperating with well-known educational institutions and experts at home and abroad: we have invited external experts to give lectures to the Group 3 times, and a total of 278 employees have participated in the training sessions.

The Group has developed comprehensive training programs for different levels of employment, the human resources department of the Group usually formulates an annual training plan at the end of each year based on specific training requirements under the Zhixiangsheng program (智想生計劃), induction training, on-the-job training, reserve general manager training and promotion training program. The Group adopts a four-level training model at the professor level, expert level, follower level, and apprentice level, using different levels of training models to promote the growth and development of employees and shape learning teams and enterprises. We have adopted the method of theoretical examination and practical exercises, and the teaching model of submitting homework at the same time as the teaching, and always verifying the learning achievements of employees during the teaching process. At the same time, the Group has established a comprehensive training evaluation system to conduct regular evaluation and feedback on training effects. By collecting data such as employees' satisfaction with the training content and the improvement of their work performance after training, the training plan is continuously optimised to ensure that the training content closely matches the actual needs of the employees. In addition, we have established a career development path plan for employees, integrating training with employees' personal career development plan to help employees clarify their career goals, stimulate internal motivation, and achieve a win-win situation between personal value and corporate development.

In short, the Group will continue to strive to build a comprehensive training system, so as to provide strong support for the growth and development of employees and promote the continuous progress and prosperity of the enterprise.

COMPLIANCE WITH LAWS AND REGULATIONS

The Board places emphasis on the Group's policies and practices on compliance with legal and regulatory requirements. External legal advisers are engaged to ensure transactions and businesses performed by the Group are within the applicable legal framework. Updates on applicable laws, rules and regulations are brought to the attention of relevant employees and operation units from time to time. The Group continues to comply with the relevant laws and regulations such as the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**"), and other applicable laws and regulations. Based on information available, save for the non-compliance as disclosed in the announcements of the Company dated 24 March 2023, 30 August 2023, 31 October 2023, 30 September 2024 and 13 November 2024, the Directors take the view that the Group has complied with the relevant laws and regulations that have a significant impact on the operations of the Group during the year ended 31 December 2023.

EVENTS AFTER THE END OF THE REPORTING PERIOD

The Group has the following significant events after the end of the reporting period:

Resumption Guidance

As set out in the announcements of the Company dated 30 June 2023, 22 February 2024 and 17 May 2024 (the "**Resumption Guidance Announcements**"), in relation to, among other matters, the Resumption Guidance. Capitalised terms used herein shall have the same meanings as defined in the Resumption Guidance Announcements unless otherwise stated.

As set out in the Resumption Guidance Announcements, the Stock Exchange has set out the following Resumption Guidance:

(i) publish all outstanding financial results required under the Listing Rules and address any audit modifications;

(ii) demonstrate the Company's compliance with Rule 13.24 of the Listing Rules;

(iii) announce all material information for the Shareholders and investors to appraise the Company's position;

(iv) conduct an appropriate independent investigation in the Abnormal Transactions, announce the findings and take appropriate remedial actions;

(v) conduct an independent internal control review and demonstrate that the Company has in place adequate internal controls and procedures to meet its obligations under the Listing Rules; and

(vi) demonstrate that there is no reasonable regulatory concern about the integrity, competence and/or character of the Group's management and/or any persons with substantial influence over the Company's management and operations, which may pose a risk to investors and damage market confidence.

The Company has been proactively taking adequate actions to fulfill the the Resumption Guidance. On 25 September 2024, an application has been made by the Company to the Stock Exchange for an extension of remedial period prescribed under Rule 6.01A of the Listing Rules up to and inclusive of 31 December 2024 for the Company to fulfil the conditions set out in the Resumption Guidance. On 1 November 2024, the Company received a letter from the Stock Exchange stating that after considering the Company's case, the Listing Committee of the Stock Exchange decided to extend the Remedial Period to 31 December 2024. Please refer to the announcements of the Company dated 2 October 2024 and 1 November 2024 for details. As at the date hereof, the Company considers that all Resumption Guidance have been fulfilled. The Company will seek to resume trading of the Shares as soon as possible.

Independent Investigation and Internal Control Review

Reference is made to the announcement of the Company dated 25 September 2024 in relation to the independent investigation conducted by Grant Thornton Advisory Services Limited (the "**Independent Investigation Agency**") and the internal control review conducted by Zhonghui Anda Risk Services Limited (the "**Internal Control Consultant**") (the "**Key Findings Announcement**"). Capitalised terms used herein shall have the same meanings as defined in the Key Findings Announcement unless otherwise stated.

On 19 September 2024, the Independent Investigation issued an independent forensic investigation report (the "**Report**") and the Internal Control Consultant issued a report on its findings of the Internal Control Review to the Audit Committee. On 25 September 2024, the Company announced the key findings of the Report and the Internal Control Review. Details of the key findings of the Report and the Internal Control Review are set out in the announcement of the Company dated 25 September 2024.

Unauthorised Guarantees to the then Ultimate Controlling Shareholder

For details, please refer to the subsection "Contingent Liabilities – Unauthorised Guuarantees to the then Ultimate Controlling Shareholder" above.

DIVIDEND

The Board did not propose to declare a final dividend for the year ended 31 December 2023 (For the year ended 31 December 2022: no final dividend was distributed).

ANNUAL GENERAL MEETING

The forthcoming annual general meeting of the Company will be further postponed to dates to be determined by the Board (the "**AGM**") and the Notice of AGM will be published and despatched in the manner as required by the Listing Rules in due course.

CLOSURE OF REGISTER OF MEMBERS

The timetable for the closure of the Register of Members for the purpose of determining the Shareholders' eligibility to attend and vote at the AGM will be announced in separate announcement of the Company.

PURCHASE, REDEMPTION OR SALE OF LISTED SECURITIES OF THE COMPANY

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

CORPORATE GOVERNANCE PRACTICES

The Company and its management are committed to maintaining good corporate governance with an emphasis on the principles of transparency, accountability and independence to all Shareholders. The Company believes that good corporate governance is an essence for a continual growth and enhancement of the Shareholders' value. The Company has applied the principles of and complied with the code provisions stipulated in the Corporate Governance Code and Corporate Governance Report (the "**CG Code**") as set out in Appendix 14 (which has been renumbered to Appendix C1 with effect from 31 December 2023) to the Listing Rules during the year ended 31 December 2023 with the exception of code provision C.2.1 which is explained below.

Code provision C.2.1 of the CG Code stipulates that the roles of the chairman and the chief executive officer should be separated and should not be performed by the same individual. Mr. Zhu Hongge was the chairman and the chief executive officer of the Company (who resigned on 26 July 2024). Under the leadership of Mr. Zhu Hongge, the Board worked efficiently and performs its responsibilities with all key and appropriate issues discussed in a timely manner. In addition, as all major decisions were made in consultation with members of the Board and relevant Board committee, and there have been three independent non-executive Directors on the Board offering independent perspective, the Board is therefore of the view that there are adequate safeguards in place to ensure sufficient balance of powers within the Board. The Board shall nevertheless review the structure and composition of the Board from time to time in light of prevailing circumstances, to maintain a high standard of corporate governance practices of the Company.

The Board will continue to review and consider splitting the roles of chairman and chief executive officer at a time when it is appropriate and suitable by taking into account the circumstances of the Group as a whole.

The amendments to the CG Code (the "**New CG Code**") came into effect on 1 January 2023 and the requirements under the New CG code will apply to the Company's corporate governance report in the financial year ending 31 December 2023. The Company will continue to review its corporate governance practices with reference to the latest development of corporate governance. The Directors will use their best endeavors to procure the Company to comply with the New CG Code starting from 1 January 2023.

MODEL CODE FOR 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 (which has been renumbered to Appendix C3 with effect from 31 December 2023) to the Listing Rules as the Company's code of conduct regarding securities transactions by the Directors. Having made specific enquiry of all Directors, the Directors have confirmed that they have complied with the required standard of dealings as set out in the Model Code for the year ended 31 December 2023.

SCOPE OF WORK OF RSM HONG KONG

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of comprehensive income, and the related notes thereto for the year ended 31 December 2023 as set out in the preliminary announcement have been agreed by the Group's auditors, RSM Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by RSM Hong Kong in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by RSM Hong Kong on the preliminary announcement.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and to the knowledge of the Directors, the Company has maintained a sufficient public float as at the date of this announcement.

AUDIT COMMITTEE

The Audit Committee of the Company has three members, comprising three independent non-executive Directors, namely Mr. Wong Kwok Yin (chairman of the Audit Committee), Mr. Wang Huimin and Ms. Liang Yunxu. The Audit Committee has reviewed the accounting principles and practices adopted by the Group and discussed with the management of the Company on financial reporting matters including a review of the annual results and the audited consolidated financial statements of the Group for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This announcement is published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (http://jy-fw.cn). The annual report of the Company for the year ended 31 December 2023 containing all the information required by the Listing Rules will be dispatched to the Shareholders and posted on the above websites in due course.

CONTINUED SUSPENSION OF TRADING

Trading in the Shares on the Stock Exchange has been suspended with effect from 9:00 a.m. on 3 April 2023, and will remain suspended until further notice.

By order of the Board
Jiayuan Services Holdings Limited
Pang Bo
Executive Director

Hong Kong, 4 December 2024

As at the date of this announcement, the Board comprises five Directors, of which Mr. Pang Bo and Mr. Bao Guojun are the executive Directors, and Ms. Liang Yunxu, Mr. Wang Huimin and Mr. Wong Kwok Yin are the independent non-executive Directors.